Supreme Court, U.S.
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No.

In The

Supreme Court of the United States

HARRY T. KEANE, JR.,

Petitioner,

v.

FOX TELEVISION STATION, INC., FREMANTLEMEDIA, LTD., and SIMON COWELL,

Respondents.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Fifth Circuit

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

The Fifth Circuit affirmed the district court's dismissal of Petitioner's claims under 12(b)(6) and its assessment of attorney's fees against Petitioner in the amount of $130,000 under the Copyright Act, even though Petitioner had voluntarily dismissed his copyright claim.

Three questions are presented:

1. Whether a defendant is considered the "prevailing party" for purposes of assessing attorney's fees under the Copyright Act when the plaintiff voluntarily dismisses the copyright claim.

2. Does 12(b)(6) permit a district court and the court of appeals to refuse to accept well-pleaded facts as true; construe allegations contained in the complaint and attachments against the non-movant; and assume omitted or disputed facts in the movant's favor?

3. Whether a $130,000 sanction against a plaintiff based upon the alleged bad-faith conduct of his attorney violates Rule 11 and the Due-Process clause of the Fifth Amendment.

LIST OF PARTIES

Petitioner is Harry T. Keane, Jr.

Respondents are Fox Television Station, Inc., FremantleMedia of North America, Inc., and Simon Cowell.

CORPORATE DISCLOSURE STATEMENT

Petitioner, Harry T. Keane, Jr., is an individual.

Respondent, Fox Television Station, Inc., is not a publicly-traded corporation, and its parent company is News Corporation.

Respondent, FremantleMedia of North America, Inc., is not a publicly-traded corporation.

Respondent, Simon Cowell, is an individual.

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OPINION BELOW

The opinion of the United States Court of Appeals for the Fifth Circuit is unreported. *See* Appendix A. In its opinion, the Fifth Circuit affirmed two orders of the district court: (1) an order entered on January 8, 2004, reported at 297 F.Supp.2d 921 (S.D. Tex. 2004), dismissing Petitioner's claims under 12(b)(6); and (2) an order entered on April 4, 2004, ordering Petitioner to pay $129,657.40 in attorney's fees and costs to Respondents. *See* Appendices B, C.

STATEMENT OF JURISDICTION

This Court's jurisdiction is invoked under 28 U.S.C. §1254(1).

The Fifth Circuit's opinion was rendered on March 17, 2005. *See* Appendix A. The Petition for Panel Rehearing was denied on April 19, 2005. *See* Appendix D. Justice Scalia granted Petitioner's Application for An Extension of Time Within Which To File a Petition for Writ of Certiorari on July 8, 2005, extending the time to and including August 8, 2005. (Sup. Ct. No. 05A23).

CONSTITUTIONAL, STATUTORY PROVISIONS, AND RULES INVOLVED

Title 17 United States Code, Section 505.

Remedies for infringement; Costs and attorney's fees.

In any civil action under this title, the court in its discretion may allow the recovery of full costs

by or against any party other than the United States or an officer thereof. Except as otherwise provided by this title, the court may also award a reasonable attorney's fee to the prevailing party as part of the costs.

Federal Rule of Civil Procedure 41(d).

Costs of Previously-Dismissed Action.

If a plaintiff who has once dismissed an action in any court commences an action based upon or including the same claim against the same defendant, the court may make such order for the payment of costs of the action previously dismissed as it may deem proper and may stay the proceedings in the action until the plaintiff has complied with the order.

Federal Rule of Civil Procedure 11(c)(2).

Nature of Sanction; Limitations.

A sanction imposed for violation of this rule shall be limited to what is sufficient to deter repetition of such conduct or comparable conduct by others similarly situated. Subject to the limitations in subparagraphs (A) and (B), the sanction may consist of, or include, directives of a nonmonetary nature, an order to pay a penalty into court, or, if imposed on motion and warranted for effective deterrence, an order directing payment to the movant of some or all of the reasonable attorneys' fees and other expenses incurred as a direct result of the violation.

Fifth Amendment, U.S. Constitution.

No person shall be held to answer for a capital, or otherwise infamous crime, unless on a presentment or indictment of a Grand Jury, except in cases arising in the land or naval forces, or in the

Militia, when in actual service in time of War of public danger; nor shall any person be subject for the same offence to be twice put in jeopardy of life or limb; nor shall be compelled in any criminal case to be a witness against himself, nor be deprived of life, liberty, or property, without due process of law; nor shall private property be taken for public use, without just compensation.

STATEMENT OF THE CASE

1. Petitioner Harry Keane asserts in this case that, in 1994, he created a novel concept for a national television competition that would be called American Idol.[1] By 1998, Keane asserts he had refined his concept to include a computer-generated staging of his concept, which would definitely be named American Idol.

In May 1998, Keane disclosed his concept for the purpose of seeking sponsorship. Among those Keane disclosed his concept for American Idol to were production companies including Pearson TV Int'l., and respondent Simon Fuller's company, later known as FremantleMedia N.A.

In 2000, Keane obtained an investor for his American Idol talent competition by selling a 15% interest in his company and the American Idol project for $6,000.

In October 2001, Pop Idol aired on British Television, which respondent Fuller claims he co-created. Fuller sold

[1] Other possible names for the competition were Ultimate Starsearch and American Superstar.

the "format" of that show, which then aired in the United States as American Idol.

Keane asserts the American Idol format sold by Fuller is materially identical to the national talent competition he created in 1994, and refined through 1998. Those who helped or invested in Keane's American Idol project believed it was Keane's show when they saw it on American television.

2. Keane filed his Complaint in the United States District Court in the Southern District of Houston, Texas, on May 14, 2003. Fox Television filed its first motion to dismiss on July 24, 2003. Keane then filed a motion for leave to amend and his First Amended Complaint on August 15, 2003. The district court granted Keane's motion for leave to amend and Fox then filed a second motion to dismiss.

On October 23, 2003, following a hearing in which the district court expressed questions about whether Keane could maintain a copyright claim, Keane filed his Second Amended Complaint and voluntarily dropped his copyright claim. Fox Television filed its third motion to dismiss. Keane filed a response but the district court granted the motion and dismissed Keane's claims on January 5, 2004. Keane filed a motion for new trial, which the trial court overruled in an order entered on March 5, 2004.

Fox Television then filed a Motion for Award of Attorney's Fees. Keane responded. The district court granted Fox Television's request and ordered Keane to pay $129,657.40 in attorney's fees as costs on April 12, 2004.

3. Keane filed two notices of appeal. On April 2, 2004, he filed his Notice of Appeal with regard to the 12(b)(6)

dismissal of his claims. On May 7, 2004, he filed his Notice of Appeal with regard to the award of attorney's fees.

The Fifth Circuit's decision affirming the district court's rulings was entered on March 17, 2005. Keane timely filed his Petition for Panel Rehearing on April 5, 2005. The Fifth Circuit denied Keane's Petition for Panel Rehearing on April 19, 2005.

REASONS FOR ALLOWANCE OF THE WRIT

Whether a defendant can be a "prevailing party" under the Copyright Act, 17 U.S.C. § 505, even though the plaintiff has voluntarily dismissed the copyright claim is an important and recurring question on which the circuit courts are split and on which this Court's guidance is needed. The Fifth Circuit's upholding of an almost $130,000 attorney's fee award to respondents in this case as "prevailing parties" under the Copyright Act, even though Keane had voluntarily dismissed his copyright claim, ignores other circuit decisions and the plain language of Rule 41(d) of the Federal Rules of Civil Procedure.

Three circuit courts of appeals have considered and rejected the notion that a defendant can be a "prevailing party" and recover its costs from a plaintiff who has already voluntarily dismissed a claim. The Fourth, Seventh, and Eighth Circuits have held that a plaintiff's voluntary dismissal without prejudice does not render the defendant the "prevailing party."

In addition to the Fifth Circuit's holding in this case, only the Ninth Circuit has determined that a defendant is

entitled to "prevailing-party" status in the face of a voluntary dismissal by a plaintiff. The Ninth Circuit's decision, however, is more than 60 years old and does not represent the current view among the circuits.

In addition to finding no support among the circuits for its decision to punish a plaintiff for voluntarily dismissing a copyright claim, the Fifth Circuit's holding renders meaningless the plain language of Rule 41(d). Under Rule 41(d), the district court may tax costs of a previously dismissed action when a plaintiff commences a second action on the same claim against the same defendant. The Fifth Circuit's allowing the imposition of attorney's fees as costs following a single voluntary dismissal means that costs may be imposed in every dismissal, which renders meaningless the plain language of Rule 41(d).

The split among the circuits that have ruled on this issue requires resolution. Additionally, the impact of the Fifth Circuit's ruling on the construction of Rule 41(d) requires correction. Left undisturbed, it will prevent plaintiffs with good-faith copyright claims from filing them because they will lose the benefit of the one-dismissal rule and will face sanctions even after a single dismissal.

Review by this Court is also necessary to address the improper adjudication on the merits of Keane's claims on 12(b)(6). The Fifth Circuit's application of the 12(b)(6) standard to Keane's claims conflicts with this Court's prior holdings as well as the holdings of circuit courts – including prior holdings of the Fifth Circuit. Specifically, the Fifth Circuit's conclusions: (1) that, the sale and use of a trademark will not support a trademark-infringement claim, conflicts with Ninth Circuit authority; (2) that, the disclosure of a novel concept with the expectation of

payment – supported by industry custom – does not give rise to a breach-of-implied-contract claim, conflicts with Second Circuit authority; and (3) that, the disclosure of a trade secret to promote a specific relationship will not support a trade-secret claim, conflicts with prior Fifth Circuit authority.

The Fifth Circuit's refusal to properly apply the 12(b)(6) standard and its perfunctory affirmance of the district court's decision to dismiss Keane's claims and then to sanction him for bringing them has serious due-process implications for any individual who invents and tries to protect a novel concept by invoking the judicial process.

I. REVIEW IS WARRANTED TO RESOLVE THE QUESTION OF WHETHER A DEFENDANT IS ENTITLED TO ATTORNEY'S FEES AS A "PREVAILING PARTY" UNDER THE COPYRIGHT ACT EVEN THOUGH A PLAINTIFF HAS VOLUNTARILY DISMISSED THE COPYRIGHT CLAIM.

A. The Fifth Circuit's judgment that Keane's voluntary dismissal of his claim rendered the defendant a "prevailing party" under the Copyright Act conflicts with this Court's prior holdings regarding what constitutes a "prevailing party."

The Copyright Act of 1976 provides that in any copyright infringement action, the court may award a reasonable attorney's fee to "the prevailing party as part of the costs." 17 U.S.C. § 505; *Fogerty v. Fantasy*, 510 U.S. 517, 519 (1994). Congress has authorized the award of attorney's fees to the "prevailing party" in numerous statutes in addition to the statute at issue here. *See, e.g.*, Civil Rights

Act of 1964, 78 Stat. 259, 42 U.S.C. § 2000e-5(k), the Voting Rights Amendments of 1975, 89 Stat. 402, 42 U.S.C. § 1973l(d), and the Civil Rights Attorney's Fees Awards Act of 1976, 90 Stat. 2641, 42 U.S.C. § 1988. *See generally Buckhannon Board and Care Home, Inc. v. West Virginia Dep't of Health & Human Serv.*, 532 U.S. 598, 602-03 (2001). In *Buckhannon*, this Court held that for the purposes of construing such statutes, a party is not a "prevailing party" unless he receives "at least some relief on the merits of his claim," or through a court-ordered consent decree. *See* 532 U.S. at 603-04. To be a "prevailing party," there must be a "judicially sanctioned change in the legal relationship of the parties." *Id.* at 605. The Court's precedents "counsel against holding that the term 'prevailing party' authorizes an award of attorney's fees *without* a corresponding alteration in the legal relationship of the parties." *Id.* (Emphasis in original.)

Here, Keane voluntarily amended his complaint, dropped his copyright claim, and proceeded on the remainder of his claims. Keane's voluntary dropping of his copyright claim was not with prejudice, was not an adjudication on the merits, and did not require a "judicially-sanctioned change in the legal relationship of the parties." Thus, the district court's denomination – and the Fifth Circuit's agreement – that the defendants in this case became "prevailing parties" when Keane voluntarily dropped his copyright claim presents the Court an opportunity to finally clarify what constitutes a "prevailing party" under the various statutes that provide for the award of attorney's fees as costs.

B. The Fifth Circuit's judgment, and the Ninth Circuit's opinion on which it rests, conflicts with other Circuits that have determined that a defendant does not become a "prevailing party" simply because a plaintiff voluntarily drops a claim.

The Fifth Circuit's judgment in this case, and the Ninth Circuit's opinion of *Corcoran v. Columbia Broadcasting Sys.*, 121 F.2d 575, 576 (9th Cir. 1941), upon which it rests, conflicts with the holdings of other courts that have decided that a defendant does not become a "prevailing party" when a plaintiff voluntarily dismisses a claim. *See Szabo Food Service, Inc. v. Canteen Corp.*, 823 F.2d 1073, 1076-77 (7th Cir. 1987) (refusing to grant attorney's fees to the defendant pursuant to 42 U.S.C. § 1988(b) after the plaintiff obtained a voluntary dismissal without prejudice); *Sequa Corp. v. Cooper*, 245 F.3d 1036, 1037-38 (8th Cir. 2001) (holding that "a voluntary dismissal without prejudice means that neither party can be said to have prevailed"); *Best Industries, Inc. v. CIS Bio Int'l, Inc.*, 134 F.3d 362 (4th Cir. 1998) (per curiam, unpublished) (voluntary dismissal without prejudice does not render a defendant the prevailing party).

The importance of Supreme Court resolution of this conflict in statutory construction of what constitutes a "prevailing party" for purposes of shifting attorney's fees as costs is not limited to this case. And, it is not limited to claims involving only copyright claims. Rather, resolution by this Court would preclude the circuit courts from construing the same language in multiple statutes in various manners.

C. The Court's resolution of this issue is necessary to prevent the nullification of Federal Rule of Civil Procedure 41(d).

Under Rule 41(d), the court may tax costs of a previously dismissed action when a plaintiff commences a second action on the same claim against the same defendant. FED.R.CIV.P. 41(d). The Fifth Circuit's allowing of the imposition of attorney's fees as costs following a single voluntary dismissal means that costs may be imposed in every dismissal, which ignores the plain language of Rule 41(d). Left undisturbed, the Fifth Circuit's holding will prevent plaintiffs with good-faith copyright claims from filing them because they will lose the benefit of the one-dismissal rule and will face sanctions after a single, voluntary dismissal.

II. REVIEW IS WARRANTED TO ADDRESS THE IMPROPER ADJUDICATION ON THE MERITS OF KEANE'S CLAIMS ON 12(B)(6) IN A MANNER CONTRARY TO THIS COURT'S HOLDINGS AS WELL AS THE HOLDINGS OF OTHER CIRCUITS.

As this Court held almost 50 years ago, a case should not be dismissed pursuant to Rule 12(b)(6) "unless it appears beyond doubt that the plaintiff can prove no set of facts in support of his claim which would entitle him to relief." *Conley v. Gibson*, 355 U.S. 41, 45-46 (1957). The Court also held in *Conley* that the "Federal Rules reject the approach that pleading is a game of skill . . . [and] that the purpose of pleading is to facilitate a proper decision on the merits." *Id.*

In this case, the Fifth Circuit addressed three of Keane's causes of action: (1) trademark; (2) breach of

implied contract; and (3) misappropriation of trade secrets.[2] Had the Fifth Circuit properly reviewed these – and Keane's other claims – in accordance with the 12(b)(6) standard articulated by this Court in *Conley*, it would have concluded that dismissal under 12(b)(6) was improper. The Fifth Circuit, however, ignored the 12(b)(6) standard and: (1) refused to accept well-pleaded facts as true; (2) construed allegations contained in the Complaint and attachment to the Complaint against the non-movant, Keane; and (3) assumed omitted or disputed facts in the movant's favor.

A. The Fifth Circuit's adjudication of Keane's trademark claim under 12(b)(6) was improper and conflicts with other circuit decisions.

With regard to Keane's trademark claim, Keane alleged that he sold 15% of American Idol to an individual and then continued to "market and promote American Idol under his mark by placing advertisements on the internet." The Fifth Circuit rejected Keane's allegations and his trademark claim and concluded that "trademarks only protect fully developed products, not the ideas for the products." Appendix A at p. 3. The Court also concluded that unregistered trademark rights must be appropriated through use, and that Keane had asserted none. *See id.* Contrary to the Court's conclusion, Keane had in fact asserted that his sale of 15% of American Idol constituted a single use that would sustain a trademark right. Although the Fifth Circuit rejected Keane's argument, its conclusion conflicts with a decision of the Ninth Circuit.

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[2] Although Keane pleaded multiple causes of action, the Fifth Circuit addressed only those three.

See Chance v. Pac-Tel Teletract, Inc., 242 F.3d 1151, 1157 (9th Cir. 2001) (holding that a bona-fide transaction, followed by activities proving a continuous effort or intent to use a mark, is sufficient to support a trademark claim). It also conflicts with a prior Fifth Circuit case. *See Blue Bell, Inc. v. Farah Manufacturing Co.*, 508 F.2d 1260, 1265 (5th Cir. 1975) (holding that the exclusive right to a trademark belongs to one who first uses it and that such use need not have gained wide public recognition). It is important that the Court grant review and resolve the conflict between the circuits and clarify that a single sale and continued use of a trademark are sufficient to withstand dismissal under 12(b)(6).

B. The Fifth Circuit's adjudication of Keane's breach-of-implied-contract claim under 12(b)(6) was improper and conflicts with the Second Circuit.

In its opinion, the Fifth Circuit affirmed the dismissal of Keane's breach-of-implied-contract claim because it agreed with "the district court's reading of plaintiff's pleadings that he did nothing to indicate that disclosure of his idea was contingent on payment." Appendix A. In reaching this conclusion, the court ignored the 12(b)(6) standard, which required the court to accept Keane's well-pleaded allegations as true.

Keanes' well-pleaded allegations assert that when he disclosed his American Idol concept to defendants: (1) Keane expected payment; (2) defendants knew or should have known he expected payment; and (3) that defendants agreed and promised to pay Keane. To supplement these assertions, Keane attached documents that imply Keane received phone calls from defendants and that he was

writing defendants "again" to seek their financial "sponsorship." In rejecting Keane's breach-of-implied-contract claim, the Fifth Circuit construed these allegations against Keane, rather than in his favor as required by the 12(b)(6) standard. Moreover, in misapplying the standard and summarily affirming the dismissal of Keane's claims, the court's holding conflicts with a Second Circuit decision. *See Whitfield v. Lear*,[3] 751 F.2d 90, 93 (2nd Cir. 1984) (holding that similar communications in question and an allegation of custom in the industry are sufficient to withstand summary judgment).[4] It is important that the Court grant review to compel the Fifth Circuit to properly apply the 12(b)(6) standard and to prevent courts from adjudicating inventors' claims on the merits on 12(b)(6).

C. The Fifth Circuit's adjudication of Keane's trade-secret claims conflicts with other circuit decisions and prior Fifth Circuit authority.

The Fifth Circuit's analysis of Keane's trade-secret claims conflicts with other circuits and prior Fifth Circuit precedent. Specifically, in its opinion, the Fifth Circuit concluded that because Keane sent out unsolicited letters that detailed the specifics of his concept, he had no expectation of confidentiality. Appendix A. This conclusion conflicts with decisions from the First and the Eighth

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[3] The Fifth Circuit cited *Whitfield*, which held that allegations like Keane's can overcome a summary-judgment motion, but then affirmed the dismissal of Keane's claim on 12(b)(6). Appendix A.

[4] *See also Gunther-Wahl Productions, Inc. v. Mattel, Inc.*, 128 Cal. Rptr. 2d 50 (2nd Dist. 2003) (holding that an expectation of payment and industry custom are sufficient to support a breach-of-implied-contract claim).

Circuits. *See Burten v. Milton Bradley Co.*, 763 F.2d 461, 463 (1st Cir. 1985) (holding that where facts demonstrate disclosure made to promote a specific relationship, *e.g.*, the disclosure to a prospective purchaser to appraise the value, the parties will be bound to receive the information in confidence); *A.L. Laboratories, Inc. v. Philips Roxane, Inc.*, 803 F.2d 378, 382 (8th Cir. 1986) (same).[8] It also conflicts with a prior Fifth Circuit case. *See Capital Films v. Charles Fries Productions, Inc.*, 628 F.2d 387, 395 (5th Cir. 1980) (holding that "industry custom" of screening a movie created confidential relationship because it was common practice).

As the Court held in *Burten* when it confirmed that confidentiality can exist upon a voluntary disclosure of a novel concept from one to another:

> The underlying goal of the law which protects trade secrets, like that which protects copyrights and patents, is to encourage the formulation and promulgation of ideas by ensuring that creators of ideas benefit from their creations. [citation omitted] . . . Fundamental to this, we believe, is the expectation by the parties that, absent an explicit waiver, the exchange of ideas will take place in trust and confidence. Were this not the case, we are hard pressed to understand why experienced and informed inventors would submit their ideas for consideration and thereby waive all rights to compensation for the labor."

763 F.2d at 467. While petitioner acknowledges that trade-secret violations are traditionally state-law issues, if the

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[8] The First and Eighth Circuits are in accord with the Restatement view. *See* RESTATEMENT OF TORTS § 757 (1939).

Court does not grant review and resolve the conflict created by the Fifth Circuit, inventors who are looking to disclose novel concepts for the purposes of marketing or selling their concept will not be able to do so without risking the loss of their invention each time they disclose it to a prospective buyer.

III. REVIEW IS WARRANTED TO ADDRESS WHETHER A $130,000 SANCTION AGAINST A PARTY FOR CONDUCT THE COURT ATTRIBUTED TO HIS ATTORNEYS VIOLATES RULE 11 AND DUE PROCESS.

As this Court has held, when considering sanctions, a district court must "tailor an appropriate sanction." *Cooter & Gell v. Hartmarx Corp.*, 496 U.S. 384, 399 (1990). Under Federal Rule of Civil Procedure 11, in determining what constitutes an appropriate sanction, a court is limited to "what is sufficient to deter repetition of such conduct." FED.R.CIV.P. 11(c)(2). That limitation prohibits a court from assessing monetary sanctions against a represented party for the filing of a claim not warranted by existing law. *See* FED.R.CIV.P. 11(c)(2)(A). The Rule 11 limitations are consistent with notions of due process that any sanction be "just." *See Ins. Corp. of Ireland, Ltd. v. Compagnie des Bauxites de Guniee*, 456 U.S. 694, 707 (1982) (construing Rule 37).

Here, to justify the award of attorney's fees, the district court concluded that Keane's attorney violated Rule 11(b). Appendix C. Having concluded that his attorney violated Rule 11(b), the district court then ordered that Keane pay $129,657.40 to defendants for their attorney's fees. *Id.* at 19. The Fifth Circuit affirmed the award of attorney's fees based on the district court's finding that

Keane's attorney acted in bad faith. Appendix A at 4. The district court's ordering of Keane to pay almost $130,000 in attorney's fees for the alleged bad-faith conduct of his attorneys is contrary to the express limitations of Rule 11 and violates Keane's Due-Process rights under the Fifth Amendment. Review by this Court is proper to rectify the Due-Process violations that occurred and to clarify that under Rule 11, sanctions like those assessed here must be "just," *i.e.*, the punishment must fit the crime.

CONCLUSION

For all of the reasons set forth in this Petition, Petitioner respectfully requests that the Supreme Court grant review of this matter.

Respectfully submitted,

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APPENDIX A

UNITED STATES COURT OF APPEALS
For the Fifth Circuit

No. 04-20340
Consolidated With 04-20437

HARRY T. KEANE, Jr.,

Plaintiff-Appellant

versus

FOX TELEVISION STATIONS, INC.; KRIV FOX 26 (HOUSTON, TX); SIMON COWELL; SIMON FULLER, Individually, doing business as 19TV; FREMANTLEMEDIA OF NORTH AMERICA, INC.; FREMANTLEMEDIA, LTD.; 19TV LTD.; NIGEL LYTHGOE

Defendants-Appellees

Appeal from the United States District Court
For the Southern District of Texas
4:03-CV-1642

(Filed March 17, 2005)

Before DAVIS, SMITH, and DeMOSS, Circuit Judges.

PER CURIAM:*

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* Pursuant to 5TH CIR. R. 47.5, the Court has determined that this opinion should not be published and is not precedent except under the limited circumstances set forth in 5TH CIR. R. 47.5.4.

Appellant Keane challenges the district court's Rule 12(b)(6) dismissal of his action alleging defendants' misappropriation of Keane's concept for a television show, which he planned to call "American Idol."[1] We affirm the judgment of the district court essentially for the reasons stated by the district court in its April 13, 2004 Memorandum and Order.

In his complaint, Keane alleged several causes of action, all of which the district court dismissed on 12(b)(6) grounds. On appeal, Keane argues that he stated claims upon which relief can be granted for breach of an implied-in-fact contract, breach of a contract implied in law, quantum meruit, unfair competition (both for misappropriation of a product and misappropriation of a trade secret), and trademark infringement. As Keane has failed to allege any set of facts to support a claim which would entitle him to relief, the district court did not err in dismissing this claim under rule 12(b)(6). *See Conley v. Gibson*, 355 U.S. 41 (1957), *Leffall v. Dallas Indep. School Dist.*, 28 F.3d 521, 524 (5th Cir. 1994).

Because we affirm the district court's dismissal of Keane's claims on 12(b)(6) grounds for the reasons stated in the district court's opinion, it is unnecessary for us to engage in a detailed analysis of the various legal issues. Fundamentally, we agree with the district court that Keane's trademark action is "derailed by two fundamental, fallacious premises", *Keane*, 297 F. Supp. 2d at 933: namely, that his rights in an unregistered concept or idea

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[1] According to Keane, he also considered calling his show "Ultimate Starsearch" and "American Superstars". *Keane v. Fox Television Stations, Inc.*, 297 F. Supp. 2d 921, 926 (S.D. Tex. 2004).

are protectable and that being the first in time to use the phrase "American Idol" entitles him to trademark protection. Trademarks only protect fully developed products, not the ideas for the products. Also, unregistered trademark rights must be appropriated through use, that is, through some commercial activity and Keane asserted no such commercial activity sufficient to appropriate such rights.

Beyond his trademark arguments, Keane heavily emphasized his claims for breach of implied-in-fact contract and misappropriation of trade secrets. In *Whitfield v. Lear,* 751 F.2d 90 (2nd Cir. 1984), the Second Circuit asserted that the idea purveyor cannot recover unless he has obtained a promise to pay or the conduct of the offeree reflects an intent to pay for the proffered idea. *See also Landsberg v. Scrabble Crossword Game Players, Inc.,* 736 F.2d 485, 489 (9th Cir. 1984) (An implied-in-fact contract exists where "the circumstances and conduct manifesting the terms and existence of a contract precede or attend disclosure of the idea".) *See also Kleck v. Bausch & Lomb, Inc.,* 145 F. Supp. 2d 819, 825 (W.D. Tx. 2000). We agree with the district court's reading of plaintiff's pleadings that he did nothing to indicate that disclosure of his idea was contingent on payment. Consequently, the district court correctly concluded that the defendants' acceptance of plaintiff's idea cannot be taken as an implied acceptance.

Similarly, we agree with the district court's dismissal of plaintiff's misappropriation of trade secret claims. Because Keane sent out unsolicited letters, which detailed the specifics of his idea, to several different production companies and advertised his idea on the internet, the district court correctly found that he cannot demonstrate

that he had a trade secret that was unknown outside of his business or that he took measures to guard the secrecy of the information.

Because we conclude that the district court correctly determined that Keane failed to survive the defendants' 12(b)(6) motion, we need not reach the preemption issue.

We also agree with the district court's thorough consideration of defendants' claim for attorneys' fees and the district court's award of attorneys' fees against the plaintiff and in favor of the defendants. The district court's conclusion that the plaintiff pursued his copyright claim when he knew none existed is supported by the record. The district court's finding of bad faith by plaintiff's attorney also supported imposition of fees under the Lanham Act.

For these reasons we affirm the judgment of the district court.

AFFIRMED.

APPENDIX B

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

HARRY T. KEANE, JR., Plaintiff,	§	
v.	§	CIVIL ACTION
FOX TELEVISION STATIONS, INC., et al.,	§	NO. H-03-1642
Defendants.	§	

MEMORANDUM AND ORDER

Plaintiff, Harry T. Keane, Jr., brought this action against defendants, Fox Television Stations, Inc., Simon Fuller, FremantleMedia of North America, Inc., Simon Cowell, FremantleMedia, Ltd., 19 TV, Ltd., and Nigel Lythgoe, alleging federal trademark infringement and state common law claims for trademark infringement, unfair competition, breach of implied contract, misappropriation of idea/trade secrets, and quantum meruit.[1] Pending before the court is the FMNA Defendants' Third Motion to Dismiss Pursuant to Federal Rule 12(b)(6) (Docket Entry No. 42) brought by defendants Fox Television Stations, Inc., FremantleMedia of North America, Inc., and Simon Cowell (collectively, "FMNA").[2] For the

[1] See Plaintiff's Second Amended Complaint, Docket Entry No. 38 at ¶¶ 53-113.

[2] The record does not contain evidence that Keane has served the other four defendants – Simon Fuller, Nigel Lythgoe, FremantleMedia, Ltd., and 19 TV Ltd.

reasons set forth below, FMNA Defendants' Third Motion to Dismiss (Docket Entry No. 42) will be granted.

I. Standard of Review

Defendants move to dismiss pursuant to Federal Rule of Civil Procedure 12(b)(6), arguing that Keane has failed to state a claim for which relief can be granted. A Rule 12(b)(6) motion to dismiss requires accepting as true the factual allegations contained in the complaint and construing the complaint in the light most favorable to the plaintiff. *Vulcan Materials Co. v. City of Tehuacana*, 238 F.3d 382, 387 (5th Cir. 2001). The motion should be denied if the plaintiff has alleged any set of facts to support a claim entitling the plaintiff to relief. *Conley v. Gibson*, 78 S.Ct. 99, 101-02 (1957); *Leffall v. Dallas Indep. School Dist.*, 28 F.3d 521, 524 (5th Cir. 1994).

However, a party seeking to avoid dismissal "must plead specific facts, not mere conclusory allegations." *Guidry v. Bank of LaPlace*, 954 F.2d 278, 281 (5th Cir. 1992). Furthermore, courts "are not required to accept as true conclusory allegations which are contradicted by documents referred to in the complaint." *Warren v. Fox Family Worldwide, Inc.*, 328 F.3d 1136, 1139 (9th Cir. 2003) (citations omitted). *See also Nishimatsu Const. Co., Ltd. v. Houston Nat'l Bank*, 515 F.2d 1200, 1206 (5th Cir. 1975) (concluding that when plaintiff attaches documents to a complaint that contradict statements in the complaint itself, the more specific document controls). Complaints "'must contain either direct allegations on every material point necessary to sustain a recovery . . . or contain allegations from which an inference fairly may be drawn that evidence on these material points will be introduced at

trial.'" *Campbell v. City of San Antonio,* 43 F.3d 973, 975 (5th Cir. 1995) (*quoting* 3 CHARLES ALAN WRIGHT & ARTHUR R. MILLER, FEDERAL PRACTICE AND PROCEDURE § 1216 (2d ed. 1990)). While dismissal of a claim under Rule 12(b)(6) is generally disfavored, the court should exercise its power to dismiss a complaint if it lacks an allegation regarding an element required to obtain relief. *Blackburn v. City of Marshall,* 42 F.3d 925, 931 (5th Cir. 1995) (citations omitted).

II. Factual and Procedural History

According to Keane's Second Amended Complaint, in 1997 he produced a stage musical called "Elvis, Then, Now & Forever."[3] Keane alleges that his stage production "was an earlier iteration" of an idea he called "American Idol" that bears a strong resemblance to the Fox television show later produced with that name.[4] Keane alleges that his Elvis musical "served as a springboard for his later refinements to American Idol," i.e., Keane contends that his Elvis musical stage show evolved into an entirely different idea: a concept for a television talent show, which he never produced but which he tried to sell and for which he tried to obtain backers.[5]

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[3] Second Amended Complaint, Docket Entry No. 38 at ¶ 20.

[4] *Id.*

[5] *Id.* The court finds it problematic that Keane describes a 1997 production of "Elvis, Then, Now & Forever" as an "earlier iteration" of the "American Idol" idea that he alternatively claims he had already developed as far back as 1994 and that he "later refine[d]" in the wake of the Elvis production of 1997. *Compare id.* at ¶ 17 *with id.* at ¶ 20 *and* Exhibit A.

Keane claims that the concept underlying "Elvis, Then, Now & Forever" steadily expanded in his mind, he made notes, and he developed alternative titles for his idea: "Ultimate Starsearch," "American Idol," and "American Superstars."[6] He does not claim that he ever wrote or produced a stage show or television program bearing any of those names. Instead, he alleges that he put together a "descriptive sales packet" in which he used the mark AMERICAN IDOL and described his idea for a stage or television talent show that might be called "American Idol."[7] A copy of the document that Keane characterizes as a "descriptive sales packet" is attached as Exhibit G to both his Second Amended Complaint (Docket Entry No. 38) and his Memorandum in Support of Plaintiff's Response to Defendants' Third Motion to Dismiss (Docket Entry No. 45). Keane repeatedly refers to his "descriptive sales packet" and cites the court to the attachment to show that he has alleged facts demonstrating that his "American Idol" idea/mark was used in interstate commerce before the Fox television show called *American Idol* premiered.

Keane claims that he prepared his "descriptive sales packet" to send to "prospective financial investors, business associates and production companies."[8] He claims that he sent it to production companies whose names and addresses he retrieved from *Variety* magazine.[9] Keane has attached a page from that magazine to his Second Amended Complaint as evidence of the impetus behind his

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[6] *Id.* at ¶ 17.

[7] *Id.* at ¶ 26.

[8] *Id.*

[9] *Id.* at ¶¶ 26-28.

mailings.[10] The page contains production companies' advertisements in which they list contact information and "product highlights" – i.e., the companies' imminent releases of new films, videos, and/or television shows.[11] Pearson TV International ("Pearson") is among the production companies whose advertisements appear on the particular page reproduced as Keane's Exhibit H. Keane alleges that Pearson is owned by one of the defendants, Simon Fuller.[12] Keane also alleges that Pearson changed its name and is now known as FremantleMedia NA, another defendant.[13]

None of the advertisements in Keane's Exhibit H contain any text suggesting that the companies were soliciting ideas for future productions from *Variety*'s readers; rather, the advertisements promote the companies' own completed products.[14] Keane does not allege that he had any prior relationship with any of the companies to which he allegedly mailed his "descriptive sales packet." Nor does he claim that, in sending his packet, he was responding to an explicit solicitation. Instead, he alleges that "industry custom" supports his contention that advertisements in trade magazines such as those depicted in Exhibit H are understood within the industry as solicitations for ideas.[15]

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[10] See *id.*, Exhibit H.

[11] See *id.*

[12] *Id.* at ¶ 28.

[13] *Id.* at ¶ 29.

[14] *Id.*, Exhibit H.

[15] *Id.* at ¶ 29.

Keane alleges that Exhibit G, attached to his Second Amended Complaint, is the "descriptive sales packet" that he sent to production companies, including Pearson. Exhibit G includes a cover letter on "NuVista Pictures, Inc." stationery;[16] "NuVista" is a company that Keane started in Iowa in 1998, which no longer exists.[17] The cover letter is dated May 8, 1998, and it contains Keane's signature.[18]

On May 27, 1998, twenty-one days after the date on the cover letter of Keane's "descriptive sales packet,"[19] Keane alleges that he placed handwritten notes that he had made back in 1994 in an envelope and mailed it to himself.[20] He alleges that these notes describe his concept for a nationally televised talent contest whose proposed names included "American Idol."[21] He claims that this postmarked mailing is still in his possession and remains unopened.[22]

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[16] *Id.*, Exhibit G.

[17] FMNA contends that the State of Iowa administratively dissolved NuVista on August 3, 2000. See Brief in Support of FMNA's Third Motion to Dismiss, Docket Entry No. 43 at ¶ 18, n.10. Keane does not allege facts contravening this contention.

[18] Second Amended Complaint, Docket Entry No. 38, Exhibit G.

[19] The court finds it puzzling that Keane characterizes the alleged mailing of his handwritten notes about "American Idol" as an act done "in *anticipation* of soliciting investors" when those notes were mailed at least three weeks *after* Keane alleges that he had already mailed his "descriptive sales packet" to production companies whose names he had found in *Variety* magazine. *Compare id.* at ¶ 22 *with id.* at ¶ 28 (emphasis added).

[20] *Id.* at ¶ 22 and Exhibit A.

[21] *Id.*

[22] *Id.*

Keane alleges that some time later he also "advertised" his "American Idol" idea on the Internet.[23] He does not describe the content of those efforts or provide any supporting documentation.

Keane does not allege that he received any offers for sponsorship in response to either his mass-mailing campaign or his Internet postings. Instead, he alleges that his "continual" efforts to procure backers were "unsuccessful."[24]

In addition to the mailings and Internet postings, Keane alleges that, intermittently from 1995 through 2001, he approached several people about investing in or helping to develop his "American Idol" idea. Keane alleges that in 1995 he approached Mitchell Steven Samboceti, who identifies himself as an actor. Keane claims that he described his "American Idol" idea to Samboceti in hopes of enlisting his aid in producing Keane's "American Idol" talent competition idea.[25] Keane alleges that at the end of 1996 or beginning of 1997 he then discussed the idea with Thomas Craig Maples.[26]

Keane alleges that in May of 1998 he discussed his "American Idol" idea with his uncle, Manuel Gerado, who helped him further develop the idea.[27] Keane claims that some time in 1998 he also discussed his idea with his

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[23] *Id.* at ¶ 30.

[24] *Id.* at ¶ 34.

[25] *Id.* at ¶ 18, and see Affidavit of Mitchell Steven Samboceti, *id.*, Exhibit B.

[26] *Id.* at ¶ 19, and see Affidavit of Thomas Craig Maples, *id.*, Exhibit C.

[27] *Id.* at ¶ 21.

father-in-law, David O'Donnell, and that O'Donnell prepared a computer-generated set design for Keane's "American Idol" show based on a hand drawing that Keane had previously made.[28] In an affidavit attached to Keane's Second Amended Complaint O'Donnell states that their discussion took place in Marshalltown, Iowa, and that the set was designed with the hope that Keane could produce a musical talent competition in Marshalltown that "would generate enough appeal so as to allow [Keane] to televise it on a national level."[29] O'Donnell's affidavit does not state that Keane referred to his idea as a show to be called "American Idol."[30]

Keane's allegations do not clarify whether the refinements that Gerado allegedly suggested and the set design that O'Donnell produced existed before or after Keane reputedly mailed his "descriptive sales packet" to production companies "[o]n or about May 8, 1998."[31]

Keane claims that in the fall of 1999 he discussed his "American Idol" idea with Daniel Schomaker.[32] Keane attaches Schomaker's deposition that his attorney took on May 22, 2003, outside the presence of opposing counsel.[33]

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[28] *Id.* at ¶¶ 23-24. The only indication that the basic set design was intended for Keane's alleged "American Idol" idea is the fact that someone at some point wrote in by hand the words "American Idol, Ultimate Starsearch, American Superstars, Elvis, Then, Now & Forever, Forever Elvis" in the left margin and wrote "American Idol" and "Stars of Tomorrow" on top of the front view of the stage set graphic. *Id.*, Exhibit E.

[29] *Id.*, Exhibit F.

[30] *Id.*

[31] *Id.* at ¶ 28.

[32] *Id.* at ¶ 31.

[33] *Id.*, Exhibit I at p. 2, lines 15-16.

Keane, through Schomaker's deposition, alleges that Schomaker was a nineteen-year-old community college student in Marshalltown, Iowa, when he met Keane.[34] Schomaker states that Keane told him about two different ideas: "Elvis, Then, Now & Forever" and "American Super Stars or American Idol."[35] Schomaker describes the second idea as a talent show that Keane eventually wanted to have televised nationally.[36] Schomaker states that in March of 2000 he gave Keane $6,000 as an investment.[37] Keane received a $6,000 check from Schomaker in exchange for a 15% interest in Keane's company, which was memorialized in an "Agreement" that Keane has attached to his Second Amended Complaint.[38] Neither the company nor its projects are described in the "Agreement."[39] However, the "Agreement" includes an undated, handwritten interlineation that merely says "Elvis, Then, Now & Forever, A Childs [sic] Wish, American Idol."[40]

Keane asserts that his efforts to procure investors other than Schomaker were "unsuccessful."[41] However, Keane alleges that the mass-mailing of his "descriptive sales packet," his Internet postings, and his discussions with the five individuals described above are facts that he has pleaded showing that his "American Idol" mark and

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[34] *Id.* at pp. 2-3.

[35] *Id.* at p. 3.

[36] *Id.* at p. 4.

[37] *Id.* at p. 8.

[38] Second Amended Complaint, Docket Entry No. 38 at ¶¶ 31-32 and see *id.*, Exhibit J.

[39] See *id.*, Exhibit J.

[40] *Id.*

[41] *Id.* at ¶ 34.

idea were used in interstate commerce before the Fox television show *American Idol* began airing in the summer of 2002.[42]

Keane alleges that in 2001 FremantleMedia NA, FremantleMedia, Ltd. and/or 19 TV, Ltd. produced Keane's "American Idol" idea under the name "Pop Idol."[43] In 2002 FremantleMedia and 19 TV licensed and sold the "Pop Idol" concept to Fox, which produced a similar television series in the United States, but changed the name to *American Idol,* thereby, in Keane's eyes, stealing both Keane's idea and his mark.[44] Fox's *American Idol* began airing on national television in the summer of 2002.[45]

On May 14, 2003, Keane filed this action, alleging copyright and trademark infringement, Lanham Act violations, and Texas statutory unfair competition, arising from Keane's allegation that he is the true creator of the television series *American Idol.*[46] On May 16, 2003, the court ordered Keane's attorney to file an affidavit detailing the legal and factual research performed prior to filing the lawsuit.[47] On June 4, 2003, Keane's attorney filed an affidavit and brief (Docket Entry Nos. 6 and 7) asserting that he believed that "Keane's expression of his [American

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[42] See *id.* at ¶ 39 and Memorandum in Support of Plaintiff's Response to Defendants' Third Motion to Dismiss, Docket Entry No. 45 at ¶¶ 10-14, where Keane argues that he had used the "American Idol" mark in commerce "since at least May 1998."

[43] Second Amended Complaint, Docket Entry No. 38 at ¶ 35.

[44] *Id.* at ¶ 38.

[45] *Id.* at ¶ 39.

[46] See Plaintiff's Original Complaint, Docket Entry No. 1 at ¶¶ 21-43.

[47] Order, Docket Entry No. 4.

Idol] idea was copyrightable as the issuance of a Certification Number creates such a presumption."[48] In other words, Keane's attorney attested to the belief that the expression of an idea that Keane describes as his "American Idol" idea had been duly copyrighted and a certificate issued.

On July 24, 2003, FMNA filed its first Motion to Dismiss with Brief in Support (Docket Entry Nos. 10 and 11). On July 30, 2003, Keane filed Plaintiff's Notice of Designation of Attorney in Charge, announcing new counsel.[49] Then, on August 15, 2003, Keane filed an Unopposed Motion for Leave to File Plaintiff's First Amended Complaint (Docket Entry No. 17). After leave was granted (Docket Entry No. 19), Keane filed his First Amended Complaint (Docket Entry No. 24) abandoning the federal trademark dilution claim raised in the original complaint. FMNA responded with a Second Motion to Dismiss with Brief in Support (Docket Entry Nos. 28 and 29) in which defendant Simon Cowell joined (Docket Entry No. 33).

On October 23, 2003, after having failed to produce evidence that the expression of his "American Idol" television talent show concept had in fact been copyrighted, Keane filed his Second Amended Complaint (Docket Entry No. 38) from which he removed his copyright infringement

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[48] Affidavit of Ryan B. Bormaster, Docket Entry No. 6 at p. 4. Despite Mr. Bormaster's sworn statement attesting to its existence, Keane has never filed a copy of a copyright certification for his "American Idol" idea, although in his First Amended Complaint he claimed to have submitted a copyright application covering work by that name. See Plaintiff's First Amended Complaint, Docket Entry No. 24 at ¶ 27.

[49] See Plaintiff's Notice of Designation of Attorney in Charge, Docket Entry No. 12.

claim as well as claims for injury to business reputation, breach of confidence, conversion, unjust enrichment, constructive trust, and declaratory relief. Keane's Second Amended Complaint contains the following causes of action:

Count I:	Federal Trademark Infringement under the Lanham Act, 15 U.S.C. § 1125(a)
Count II:	Common Law Trademark Infringement
Count III:	False Designation of Origin and Unfair Competition under the Lanham Act, 15 U.S.C. § 1125(a)
Count IV:	Common Law Unfair Competition
Count V:	Reverse Passing Off/Reverse Confusion under the Lanham Act, 15 U.S.C. § 1125(a) and Common Law
Count VI:	Common Law Breach of Implied Contract
Count VII:	Common Law Misappropriation of Idea/Trade Secret
Count VIII:	Common Law Quantum Meruit

FMNA responded to Keane's Second Amended Complaint with its Third Motion to Dismiss Pursuant to Federal Rule 12(b)(6) with accompanying Brief in Support (Docket Entry Nos. 42 and 43). On November 24, 2003, Keane filed a Response to Defendants' Third Motion to Dismiss Pursuant to Federal Rule 12(b)(6) and Memorandum in Support (Docket Entry Nos. 44 and 45) after which FMNA asked for and obtained leave to file a Reply to Plaintiff's Response to their Third Motion to Dismiss

Pursuant to Federal Rule 12(b)(6) (Docket Entry Nos. 46, 47, and 48).

III. FMNA Defendants' Third Motion to Dismiss

A. Defendants' Arguments

FMNA asks the court to dismiss this action because Keane has failed to state a claim for which relief can be granted.

FMNA argues that Keane's trademark and unfair competition claims fail because his alleged use of the phrase "American Idol" in commerce falls short of establishing the actual use necessary to state a trademark infringement claim under either federal or Texas law.[80] FMNA contends that "use in commerce" is an element of the definition of any mark under the Lanham Act, whether or not it is registered.[81]

FMNA further contends that Keane's "admitted lack of actual use belies his allegation that he created 'extensive goodwill' and public recognition in 'American Idol,'" thereby derailing his unfair competition claims. FMNA also argues that Keane's unfair competition claim fails because unfair competition claims do not apply to the uncredited author of an idea, concept, or communication embodied in a product.[82]

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[80] Brief in Support of FMNA Defendants' Third Motion to Dismiss, Docket Entry No. 43 at ¶ 10.

[81] FMNA Defendants' Reply, Docket Entry No. 47 at ¶ 3, n.3.

[82] Brief in Support of FMNA Defendants' Third Motion to Dismiss, Docket Entry No. 43 at ¶ 10, relying on *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 123 S.Ct. 2041 (2003).

FMNA argues that Keane's breach of implied contract claim fails for several reasons. First, Keane alleges that he mailed an unsolicited "descriptive sales packet" to Pearson in England, but he does not establish the basis for any contractual obligation to him that proceeded or resulted from that action.[53] Second, even if an implied contract was formed, it was formed with Pearson, which is not a defendant in this action.[54] Third, Keane erroneously contends that Pearson and FremantleMedia of North America, Inc. are the same company, and, even if true, this allegation does not establish privity between Keane and the other defendants.[55] Fourth, without the ability to establish privity, the claim against the other defendants would amount to a copyright infringement claim and would thus be preempted by the Copyright Act of 1976, 17 U.S.C. §§ 101, *et seq.* (the "Copyright Act").[56]

Finally, FMNA argues that Keane's claims of misappropriation of a trade secret and quantum meruit are also preempted by the Copyright Act because Keane's allegation that he submitted his idea to Pearson in "confidence" is belied by his allegation that the "secret" was mass-mailed.[57] Furthermore, Keane has not alleged that he ever sent his sales packet to defendants Fox Television Stations, Inc. and Simon Cowell.[58]

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[53] *Id.* at ¶ 11.

[54] *Id.*

[55] *Id.*

[56] *Id.*

[57] *Id.* at ¶ 12.

[58] *Id.* at ¶ 13. The court notes that Keane has also not alleged that he sent his "descriptive sales packet," or any other material, to the four unserved defendants.

B. Keane's Response

Keane argues that it is incongruous for FMNA to argue both that Keane's "American Idol" idea/mark was not used in commerce and that Keane's alleged mass-mailing of his "American Idol" idea/mark negates his claims of implied contract and misappropriation of idea.[59] He insists that his mass-mailing demonstrates that his idea/mark was used in commerce.[60] Furthermore, Keane asserts that FMNA has not cited any case law for the proposition that "use in commerce" is a prima facie element of claims for federal and state trademark infringement, false designation of origin, unfair competition, and reverse passing off.[61] Keane also contends that *Dastar,* a recent Supreme Court case upon which FMNA relies, is inapposite to this action.[62]

Keane argues that his implied contract and misappropriation of idea claims are supported by the contents of his "descriptive sales packet" and by industry custom.[63] Keane asserts that none of his claims, including his claim for quantum meruit, are preempted by the Copyright Act because his Second Amended Complaint "sets forth claims for his American Idol idea and AMERICAN IDOL mark, not the 'expression' of an idea."[64]

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[59] Memorandum in Support of Plaintiff's Response to Defendants' Third Motion to Dismiss, Docket Entry No. 45 at ¶ 4.

[60] *Id.*

[61] *Id.*

[62] *Id.* at ¶ 4.

[63] *Id.* at ¶ 5.

[64] *Id.*

IV. Analysis

A. The Facts Alleged

Keane attached to his Second Amended Complaint (and to his Memorandum in Support of his Response to the defendants' pending motion) several exhibits, including a copy of what he deems a "descriptive sales packet." He relies heavily on that document's alleged dissemination in 1998 to defend against FMNA's Motion to Dismiss. Federal Rule of Civil Procedure 10(c) states that "[a] copy of any written instrument which is an exhibit to a pleading is a part thereof for all purposes." FED. R. CIV. P. 10(c). An allegation in a complaint may be contradicted and "controlled by" documents referred to in the complaint. *Nishimatsu*, 515 F.2d at 1206. The court has therefore examined the contents of Keane's "descriptive sales packet" and compared it to the conclusory statements alleged in Keane's Second Amended Complaint.

Having studied Keane's Second Amended Complaint and the exhibits that he incorporated by reference, for the purpose of considering FMNA's Motion to Dismiss, the court must accept that the following allegations are true: (1) Keane sent the document that he identifies as a "descriptive sales packet" to production companies, including Pearson; (2) that packet contained information about an idea for a talent show that Keane was hoping to produce and that he considered calling "American Idol;" (3) Pearson is now FremantleMedia NA; (4) FremantleMedia NA produced a television show called *Pop Idol* that is similar to Keane's unproduced "American Idol" idea; and (5) FremantleMedia NA licensed the "Pop Idol" concept to Fox, which in turn produced the television show *American Idol*.

The actual content of Keane's alleged "descriptive sales packet" differs, however, from the manner in which the document is characterized in Keane's Second Amended Complaint (Docket Entry No. 38) and in his Memorandum in Support of his Response to FMNA's Third Motion to Dismiss (Docket Entry No. 45). For example, Keane describes the document as a packet prepared for "prospective financial investors, business associates and production companies to promote, market and/or generate sponsors necessary to fund the development of his American Idol."[65] Yet, the letter's salutation – "Dear Business Owners" – and its opening paragraph imply that it is a follow-up letter being sent to business owners in Marshalltown, Iowa, to whom Keane had previously sent a letter, not an introductory sales letter addressed to international production companies:

> Dear Business Owners:
>
> I recently sent out a letter announcing plans for a family music theatre for the community of Marshalltown. I have received numerous phone calls asking me who we are and what I have planned. I have decided to write you again telling you about myself and my plans for my family theatre.[66]

Nothing about the substance of this letter, which lacks any return address, telephone number, or other contact information, suggests that it embodies an attempt to sell

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[65] Memorandum in Support of Plaintiff's Response to Defendants' Third Motion to Dismiss Pursuant to Federal Rule 12(b)(6), Docket Entry No. 45 at ¶ 10.

[66] Second Amended Complaint, Docket Entry No. 38, Exhibit G, cover letter (emphasis added).

an idea to production companies. Instead, it appears to be an effort to get "sponsorship" from "business owners" for Keane's company so that Keane could produce "family musical theatre" in Marshalltown, Iowa.[67] The letter does not mention a "sales packet" or allude to any enclosures. It is difficult to square Keane's allegation that he sent this material to international production companies as an attempt to market his "American Idol" idea with the actual content of the letter, which seeks "sponsorship" for the "Marshalltown Music Theatre and American Idol." Seeking "sponsorship" for one's own production and seeking to sell an idea so that others might turn it into a production are two distinct activities. The distinctions between those two activities are critical to assessing the legal viability of Keane's claims.

Because Keane opted to attach exhibits that undermine and contradict his own allegations, he has essentially been "hoist with his own petard." WILLIAM SHAKESPEARE, HAMLET III.4.207.[68] "[I]f a plaintiff chooses to 'plead particulars, and they show he has no claim, then he is out of luck – he has pleaded himself out of court.'" *Jefferson v. Ambroz*, 90 F.3d 1291, 1296 (7th Cir. 1996) (*quoting Thomas v. Farley*, 31 F.3d 557, 558-59 (7th Cir. 1994)). Based on the materials that Keane has attached to both his Second Amended Complaint and to his Memorandum in Support of his Response to FMNA's Third Motion to Dismiss, the court must also accept as true for the purposes of FMNA's Motion to Dismiss only that the letter that Keane mailed in May of 1998 sought sponsors for his

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[67] *Id.*

[68] That is, he has been blown up by his own bomb.

"family theatre" in Marshalltown, Iowa, through which he planned to produce a "live talent show" to be called "American Idol" based on an idea that he had developed some time after he had produced his 1997 stage musical "Elvis, Then, Now & Forever."

Although the cover letter in Exhibit G states that Keane "wrote" an "American Idol" show in 1994,[8] Keane no longer claims that he wrote and then copyrighted the expression of an idea in a work called "American Idol," but only that over time he developed an idea that he called "American Idol" and that as early as May of 1998 he used the "American Idol" mark in commerce.[9] The court also accepts as true Keane's allegations that some time after May 1998 he "advertised" his "American Idol" idea on the Internet and spoke to at least three people about his idea: his uncle Manuel Gerado, his father-in-law David O'Donnell, and the student Daniel Schomaker.

Having construed Keane's Second Amended Complaint in light of the attached exhibits, the court must next consider the factual fit between these factual allegations and the claims in his Second Amended Complaint. Dismissal of a claim is appropriate if it lacks an allegation regarding an element required to obtain relief. *Blackburn*, 42 F.3d at 931.

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[8] "A live talent competition that I wrote in 1994.[sic] The show entitled 'American Idol' search for a superstar will bring live entertainment to the Metroplex for years to come." *Id.*, Exhibit G.

[9] See Second Amended Complaint, Docket Entry No. 38 at ¶¶ 54-55.

B. The Claims Asserted

This action is derailed by two fundamental, fallacious premises. First, Keane presupposes that his "American Idol" concept or idea can be protected by trademark law. However, trademarks are devices intended to identify fully developed products and services, not ideas for products or services. *See Sport Supply Group, Inc. v. Columbia Casualty Co.*, 335 F.3d 453, 460-61 (5th Cir. 2003) (noting that "the primary function of a trademark is to serve as a label – a mark that identifies and distinguishes a particular product"). Having retreated from his initial effort to assert a copyright infringement claim, but relying on the same facts that allegedly gave rise to that claim, Keane has recast his claims in the guise of trademark law. Yet, an idea for a television show is neither a product nor a service within the purview of trademark law. See discussion below of *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 123 S.Ct. 2041 (2003).

Although an idea cannot be trademarked, the phrase "American Idol" could in principle be a trademark. A trademark includes "any word, name, symbol, or device, or any combination thereof" utilized to distinguish goods or products from those manufactured or sold by others and to identify the source of a particular good or service. 15 U.S.C. § 1127 (2003). Therefore, in analyzing the viability of Keane's trademark infringement claims, while accepting all of his non-contradictory allegations as true, the court can only assess whether Keane has alleged a set of facts to support a claim for infringement upon his "American Idol" mark, not for theft of an idea for a product to be called "American Idol."

The second erroneous premise is Keane's allegation that being the first in time to use the "American Idol" mark in relation to some kind of commercial activity is sufficient to give him exclusive rights to use the "American Idol" mark. "Mere invention, creation, or discussion of a trademark does not create priority rights." *Hydro-Dynamics, Inc. v. George Putnam & Co., Inc.*, 811 F.2d 1470, 1473 (Fed. Cir. 1987) (citations omitted). The court's analysis therefore focuses on whether Keane has alleged facts that, if true, would show that he owns the "American Idol" mark.

1. Counts I, III, V: False Designation of Origin under the Lanham Act, 15 U.S.C. § 1125(a)

Despite their characterization as three distinct causes of action, Counts I, III, and V in Keane's Second Amended Complaint are the same claim. Keane does not allege that he is the owner of a federally registered mark upon which the defendants have infringed. Therefore, the section of the Lanham Act upon which he could ostensibly rely is section 1125(a), which empowers unregistered owners of marks to bring a civil action against those

> who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which –
>
> (A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another

> person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or
>
> (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities[.]

15 U.S.C. § 1125(a)(1) (2003).

Section 1125 of the Lanham Act creates two distinct bases for liability: "(1) false representation in advertising concerning the qualities of goods (false advertising claims); and (2) false representations concerning the origin or endorsement of goods (false association or product infringement claims)." *Hutchinson v. Pfeil*, 211 F.3d 515, 520 (10th Cir. 2000). Keane has not alleged that he is seeking recovery for "false advertising" concerning the quality of any "goods." Instead, Keane alleges that the defendants infringed on his mark/idea by attempting to pass Keane's "American Idol" mark/idea off as their own, an activity deemed "reverse passing off."[71] *Dastar*, 123 S.Ct. at 2045 n.1. Thus, the three causes of action that Keane characterizes as "Federal Trademark Infringement,"[72] "False Designation of Origin and Unfair Competition,"[73] and "Reverse Passing Off/Reverse Confusion"[74] are all attempts to rely on the Lanham Act's prohibition against false designations of origin when selling goods or services in commerce. *See*

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[71] See *id.* at ¶¶ 53-113.

[72] *Id.* at p. 12.

[73] *Id.* at p. 15.

[74] *Id.* at p. 17.

Roho, Inc. v. Marquis, 902 F.2d 356, 359 (5th Cir. 1990) (explaining that the Lanham Act's prohibition of false description or false designation of origin covers the following activities: false advertising of goods or services, "palming off" one's goods under the name of a competitor, and reverse palming off, which is the misappropriation of the services or goods of another).

In its recent analysis of section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a)(1), the Supreme Court emphasized that the phrase "origin of goods" in the statute's text does not connote "the person or entity that originated the ideas or communications" that the resulting commercial product embodies or contains. *Dastar*, 123 S.Ct. at 2047. Instead, section 43(a) is intended to protect against consumer confusion and a producer's loss of good will by creating a means to sue parties who endeavor to exploit the name-recognition that a pre-existing producer has created in the marketplace. *Id.* As the Court noted, consumers do not assume or care whether the idea for a branded product originated with company "X," which is why the Lanham Act does not protect the source of content per se; if it did, it would "conflict with the law of copyright, which addresses that subject specifically." *Id.* at 2048. Federal trademark law is not concerned with "invention or discovery" of ideas,[75] and the Court explicitly cautions

[75] Even the law of copyright does not protect ideas per se. A work is only copyrightable if it is (1) the author's original work that is (2) fixed in any tangible medium of expression. 17 U.S.C. § 102(a) (2003). Copyright protection does not, for instance, extend "to any idea, procedure, process, system, method of operation, concept, principle or discovery. . . . " *id.* § 102(b). Words and short phrases, names, titles, slogans, facts, information in the public domain, and field-specific jargon are also not amenable to copyright. *Engineering Dynamics, Inc. v. Structural Software, Inc.*, 26 F.3d 1335, 1344 (5th Cir. 1994). Keane

(Continued on following page)

against extending trademark law in that manner. *Id.* (*quoting In re Trade-Mark Cases*, 100 U.S. 82, 94 (1879)). In other words, the Lanham Act does not create a cause of action for "plagiarism," that is, "the use of otherwise unprotected works and inventions without attribution." *Id.* at 2049.

Liability under section 1125(a) hinges on the likelihood of confusion in the marketplace regarding the source of a particular good or service. *Sport Supply Group*, 335 F.3d at 460. However, for a court to consider the "likelihood of confusion," a plaintiff must plead facts demonstrating that, through its use in commerce, the plaintiff had won the race to the marketplace such that it owns the exclusive right to use a particular mark. *Lucent Information Management, Inc. v. Lucent Technologies, Inc.*, 186 F.3d 311, 315 (3d Cir. 1999), *cert. denied*, 120 S.Ct. 845 (2000); *Zazú Designs v. L'Oreal, S.A.*, 979 F.2d 499, 503 (7th Cir. 1992); *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 (2d Cir. 1976); *Blue Bell, Inc. v. Farah Mfg. Co., Inc.*, 508 F.2d 1260, 1266 (5th Cir. 1975); *Sweetarts v. Sunline, Inc.*, 380 F.2d 923, 929 (8th Cir. 1967); *Rolley, Inc. v. Younghusband*, 204 F.2d 209, 212 (9th Cir. 1953).

Winning the race to the marketplace is not accomplished by being the first in time to use a mark, but requires both appropriation of the mark and use of the mark in trade. *United Drug Co. v. Theodore Rectanus Co.*,

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acknowledges that copyright law does not protect ideas but only the expression of ideas. See Plaintiff's Memorandum in Support of Plaintiff's Response to Defendants' Third Motion to Dismiss, Docket Entry No. 45 at ¶ 29. However, he ignores the fact that trademark law does not protect ideas either.

39 S.Ct. 48 (1918); 2 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 16:11 (4th ed. 1997) ("The mere fact that a party conceived the idea of a trademark and discussed it with others does not establish priority as of the date of those events."). One must have done far more than use the mark in discussions, solicitations, shipments, or even in some sales. *See, e.g., Zazú,* 979 F.2d at 503 (holding that items bearing an unregistered mark, which were sold in one store and also distributed to the producer's friends, did not constitute use in commerce sufficient to obtain rights in a mark). Preparing to sell goods or services under a particular label, shipping marked merchandise to stores, making sales to intracorporate personnel, and even "actively soliciting accounts" has been deemed inadequate to satisfy the requisite "use in commerce" necessary to acquire trademark rights. *See Blue Bell,* 508 F.2d at 1265-66. The use must have been sufficiently public to have "allow[ed] consumers to associate a mark with particular goods" and to have "notifie[d] other firms that the mark is so associated." *Zazú,* 979 F.2d at 503. Therefore, a plaintiff can prevail only by showing prior use of the mark "in a way sufficiently public to identify or distinguish the marked goods in an appropriate segment of the public mind as those of the adopter of the mark." *Blue Bell,* 508 F.2d at 1266.

Keane's allegations that are not controverted elsewhere in his own pleadings show that he consistently alleges having used the "American Idol" mark since at least May 8, 1998.[78] However, the "use" to which he refers is his "set[ting] out to market/promote the production of"

[78] Second Amended Complaint, Docket Entry No. 38 at ¶ 54.

his "American Idol" idea.[77] This promotion and marketing was allegedly accomplished through the following activities: (1) he sent out a "descriptive sales packet" in which he described his idea for an "American Idol" talent show and sought "sponsorship" from "business owners" so that he might produce the show in Marshalltown, Iowa; (2) he sought buyers for his "American Idol" idea by posting advertisements on the Internet; and (3) he discussed his idea with at least one potential "investor," Daniel Schomaker, who gave Keane money, not for Keane's "American Idol" idea, but as an investment in Keane's company, which Keane hoped would at some point produce a show called "American Idol" in Marshalltown.

Keane claims that he is the senior user of the "American Idol" mark, that the defendants usurped his position, and that the defendants Cowell and Fuller falsely claim that they are the creators of *American Idol*.[78] Keane characterizes these activities as deception of the public as to the "origins" of the "American Idol" idea and mark.[79] Keane also claims that before the defendants endeavored to pass the "American Idol" idea off as their own, the "American Idol" mark "ha[d] become so associated in the mind of the public that the public identifies" the mark with him.[80] Keane then identifies "the public" as a few individuals, including his uncle and father-in-law, with

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[77] Memorandum in Support of Plaintiff's Response to Defendants' Third Motion to Dismiss, Docket Entry No. 45 at ¶ 10.

[78] Second Amended Complaint, Docket Entry No. 38 at ¶¶ 84-86.

[79] *Id.* at ¶ 49.

[80] Memorandum in Support of Plaintiff's Response to Defendants' Third Motion to Dismiss, Docket Entry No. 45 at ¶ 17, citing Second Amended Complaint at ¶¶ 18-19, 23-25, 31-33.

whom he allegedly discussed his "American Idol" concept. Finally, Keane alleges that these individuals became confused when they saw Fox's *American Idol* on television because they believed that the "American Idol" mark/idea belonged to Keane.[81] Keane does not allege that members of the general public saw his "American Idol" mark, came to associate that mark with him, and then became confused upon seeing Fox's *American Idol,* thinking that *American Idol* had originated with Keane. Nor could the factual narrative presented in his Second Amended Complaint logically support such a claim because he admits that he has never produced a product bearing the mark "American Idol."[82] Just as a "product" is distinct from an "idea for a product," an attempt to sell an idea to potential investors is not analogous to the sale of a trademarked good or service to the public at large.

Keane's admissions that he was unsuccessful at selling a product under the "American Idol" mark alone amounts to a failure to plead the threshold requirement of a Lanham Act cause of action because mere expectation or hope that a mark will be used, i.e., attempts at "promotion and marketing" of an idea under a "mark," is insufficient to establish exclusive rights in a mark. *See Lucent,* 186 F.3d at 318, and *Zazú,* 979 F.2d at 503 (both relying on *Blue Bell,* 508 F.2d 1260, for the proposition that meaningful and public commercial use is required to establish rights in an unregistered mark). The relevant case law demonstrates that Keane's claims fail as a matter of law even if he had used the mark to endeavor to sell an actual

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[81] *Id.*

[82] Second Amended Complaint, Docket Entry No. 38 at ¶ 34.

product or service rather than an idea. Furthermore, that which Keane claims to have been promoting was not a "product" as cognized by trademark law, but merely an unprotectable idea. *Sport Supply Group*, 335 F.3d at 460-61.

Even assuming that Keane did engage in all of the activity regarding his "American Idol" mark that his Second Amended Complaint describes, and even discounting the fact that his own exhibits contradict and undermine several critical aspects of the narrative he paints in the body of his Second Amended Complaint and in his Memorandum in Support of his Response, Keane has not alleged the factual predicate for a Lanham Act false designation of origin/reverse passing off claim. Counts I, III, and V of Keane's Second Amended Complaint will, therefore, be dismissed.

2. Count II: Common Law Trademark Infringement

The test for ascertaining the likelihood of confusion applicable in false designation of origin claims and the prerequisite requirement of establishing one's rights in a mark through use in commerce, discussed above, are equally applicable to common law trademark infringement. *Sport Supply Group*, 335 F.3d at 461. In fact, "[t]he issues in a common law trademark infringement action under Texas law are no different than those under federal trademark law." *Id.* (*quoting All Am. Builders, Inc. v. All Am. Siding of Dallas, Inc.*, 991 S.W.2d 484, 488 (Tex. App. – Fort Worth 1999, n.w.h.)). Count II of Keane's Second Amended Complaint will therefore be dismissed.

3. Counts IV and VII: Common Law Unfair Competition and Common Law Misappropriation of Idea/Trade Secret

Under Texas law "unfair competition" is a general rubric under which fall all statutory and non-statutory causes of action arising out of dishonesty in industrial or commercial matters. *Am. Heritage Life Ins. Co. v. Heritage Life Ins. Co.*, 494 F.2d 3, 14 (5th Cir. 1974). To prevail, the plaintiff must show that the defendant committed an illegal act that interfered with the plaintiff's ability to conduct its business; the illegal act need not necessarily violate criminal law, but must at least be an independent tort. *Taylor Publishing Co. v. Jostens, Inc.*, 216 F.3d 465, 486 (5th Cir. 2000) (*citing Schoellkopf v. Pledger*, 778 S.W.2d 897, 904-05 (Tex. App. – Dallas 1989, writ denied) (*stating* that "Without some finding of an independent substantive tort or other illegal conduct, we hold that liability cannot be premised on the tort of 'unfair competition.'")).

The independently tortious act Keane alleges is that the defendants misappropriated his novel idea, which was a trade secret.[83] Therefore, Count VII, Keane's Misappropriation of Idea/Trade Secret claim, is the cause of action whose elements the court must consider in determining whether Keane has alleged facts to support a claim of unfair competition. However, the way in which Keane has pleaded his misappropriation cause of action is confusing because it combines features and relies on case law

[83] See *id.* at ¶¶ 98-107. Trademark infringement could also provide an independent basis for an unfair competition claim. However, as discussed above, Keane has not alleged the factual predicate for a Lanham Act or common law trademark infringement claim.

involving three distinct causes of action: misappropriation of a product, misappropriation of a trade secret, and misappropriation of an idea. The first two have been explicitly recognized under Texas law; the latter has not. For the purposes of the present analysis the court will assume that all three causes of action are available under Texas law.

a. Misappropriation of a Product

The tort of misappropriation of a product "involves the appropriation and use by the defendant, in competition with the plaintiff, of a unique pecuniary interest created by the plaintiff through the expenditure of labor, skill, and money. [citations omitted] It is recognized under Texas law." *U.S. Sporting Products, Inc. v. Johnny Stewart Game Calls, Inc.*, 865 S.W.2d 214, 217 (Tex. App. – Waco 1993, writ denied) (*quoting Universal City Studios v. Kamar Industries*, 217 U.S.P.Q. 1162 (S.D. Tex. 1982) (approved in *Conan Properties, Inc. v. Conans Pizza, Inc.*, 752 F.2d 145, 156 (5th Cir. 1985)). The elements of this cause of action are: (1) the plaintiff created a product after expending extensive time, labor, skill, and money; (2) the defendant used that product in competition with the plaintiff, thereby gaining a special advantage in that competition (*i.e.*, a "free ride") because defendant is burdened with little or none of the expense incurred by the plaintiff; and (3) the plaintiff was commercially damaged as a result. *U.S. Sporting Products*, 865 S.W.2d at 218.

b. Misappropriation of a Trade Secret

A trade secret is "any formula, pattern, device or compilation of information which is used in one's business

and presents an opportunity to obtain an advantage over competitors who do not know or use it." *Computer Associates Int'l, Inc. v. Altai, Inc.*, 918 S.W.2d 453, 455 (Tex. 1994). One who either discloses or uses another's trade secret, without a privilege to do so, can be liable for such disclosure or use if the disclosure or use constitutes a breach of confidence reposed in the party disclosing or using the trade secret. *IBP, Inc. v. Klumpe*, 101 S.W.3d 461, 472 (Tex. App. – Amarillo 2001, writ denied) (*citing Hyde Corp. v. Huffines*, 314 S.W.2d 763, 769-70 (Tex. 1958)).

To establish that his "American Idol" idea is entitled to trade secret protection, Keane would have to satisfy the Restatement's six-factor test, which requires the court to evaluate: (1) the extent to which the information is known outside of his business, (2) the extent to which it is known by employees and others involved in his business, (3) the extent of the measures he took to guard the secrecy of the information, (4) the value of the information to him and his competitors, (5) the amount of effort or money he expended in developing the information, and (6) the ease or difficulty with which the information could be properly acquired or duplicated by others. *Chapa v. Garcia*, 848 S.W.2d 667, 670 (Tex. 1992) (Doggett, J., concurring) (internal quotations omitted) (*quoting* RESTATEMENT OF TORTS § 757 cmt. b (1939)).

c. Misappropriation of an Idea

In *Official Airlines Schedule Information Services, Inc. v. Eastern Air Lines, Inc.* ("*OASIS*"), 333 F.2d 672, 673 (5th Cir. 1964), the Fifth Circuit delineated the elements a plaintiff must satisfy before liability for misappropriation

of an idea may be imposed. These elements are: (1) the idea was novel; (2) the disclosure of the idea was made in confidence; and (3) the idea was adopted and used by the defendant. *Id.* The law described in *OASIS* is not Texas law. Keane's pleadings do not contain a choice of law argument; in fact, he relies on case law involving the law of multiple jurisdictions. However, assuming that the law discussed in *OASIS* is applicable, the court concludes that the pivotal element of the misappropriation of idea cause of action for the purposes of evaluating the defendants' 12(b)(6) motion is the confidentiality element, for the other two elements would be matters of fact for the jury.

d. Keane's Misappropriation Cause of Action

Keane does not allege that he produced a "product" as courts considering the viability of the misappropriation of a product tort have construed that term. *See U.S. Sporting Products*, 865 S.W.2d 214 (involving the misappropriation of one company's animal sound recordings); *Synercom Technology, Inc. v. University Computing Co.*, 474 F. Supp. 37 (N.D. Tex. 1979) (holding that the alleged misappropriation of input formats, instruction manuals, and related services was preempted because the claim involved the misappropriation of ideas not products); *Universal City Studios*, 217 U.S.P.Q. 1162 (involving the misappropriation of licensing and merchandising rights arising from the production of the film *E.T. The Extra-Terrestrial*). Instead, Keane claims that he had an idea for a product that he tried, unsuccessfully, to market and that the defendants misappropriated that idea.[84] Therefore, the court need only

[84] Second Amended Complaint, Docket Entry No. 38 at ¶ 34.

consider whether Keane has alleged facts sufficient to sustain either a misappropriation of a trade secret or a misappropriation of an idea cause of action.

The critical threshold requirement for pursuing either of these two misappropriation causes of action is secrecy/confidentiality. "If an individual discloses his trade secret to others who are under no obligation to protect the confidentiality of the information . . . his property right is extinguished." *Ruckelshaus v. Monsanto Co.*, 104 S.Ct. 2862 (1984).

Keane claims that his "American Idol" concept was a trade secret or an original idea of the type that the law protects.[86] However, he also claims that he gratuitously published his idea in the following ways: (1) mailing a "descriptive sales packet" to various production companies whose names and addresses he got out of a trade magazine, (2) advertising his idea on the Internet, and (3) discussing the idea with potential investors and family members intermittently over the course of several years.[87] Keane claims that Pearson was among the companies to which Keane sent information about his "American Idol" concept.[88] He also alleges that Pearson and others "solicited" his idea because they placed advertisements in *Variety* magazine.[89] Keane further claims that his use of the words "sponsorship" and "long lasting relationship" in the "descriptive sales packet" that he allegedly sent to Pearson and others

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[86] *Id.* at ¶ 101.

[87] *Id.* at ¶¶ 18-34.

[88] *Id.* at ¶ 28.

[89] *Id.* at ¶ 29.

established a confidential relationship.[89] Alternatively, Keane argues that "at the very least" industry custom implies confidentiality when production companies advertise for ideas and then receive submissions such as the one that Keane alleges he sent to Pearson.[90]

In the 12(b)(6) context the court would ordinarily presume the truth of Keane's assertion regarding industry custom. However, the court is "not required to accept as true conclusory allegations [that] are contradicted by documents referred to in the complaint." *Warren*, 328 F.3d at 1139. Keane attached the *Variety* advertisement[91] to which he claims he responded by sending his material to a "select group."[92] Even a superficial assessment of the advertisements in Keane's Exhibit H reveals that they are clearly not a call for ideas, as Keane claims; instead, they advertise the companies' own new (and completed) products.[93]

Keane does not allege that he and Pearson had any prior dealings or an explicit agreement before or after Keane allegedly mailed his "descriptive sales packet." By gratuitously sending a packet of information to a company, hoping that the company might contribute financially to Keane's desire to turn an idea into a production of some kind, Keane extinguished any property right to a trade

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[89] Plaintiff's Memorandum in Support of Plaintiff's Response to Defendants' Third Motion to Dismiss, Docket Entry No. 45 at ¶ 45.

[90] Second Amended Complaint, Docket Entry No. 38 at ¶ 102.

[91] "A true and correct copy of page M62 from the Variety [sic] magazine Keane used is attached to this Complaint as Exhibit H." *Id.* at ¶ 28, n.8.

[92] *Id.* at ¶ 101.

[93] See *id.*, Exhibit H.

secret that he might have had. Keane had no ability to create a confidential relationship between him and the production companies to whom he allegedly sent his idea simply by declaring that it was self-evident that he was hoping to be paid for its use.[34] The Fifth Circuit, in a case upon which Keane seeks to rely, explicitly addressed the issue of "whether one person, by his gratuitous and unilateral act, may impose upon another a confidential relationship" and has categorically stated that a person may not do so. *OASIS*, 333 F.2d at 674. Absent the element of a confidential relationship, misappropriation claims are preempted by copyright law.[35] 1 M. & D. NIMMER, NIMMER

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[34] Keane asserts that he "did not need to specifically state that the condition of his offer [to sell his "American Idol" idea] was that the recipient(s) [of his "descriptive sales packet"] assume an obligation to pay because that was clearly implied by the words 'sponsorship' and 'long lasting business relationship' against the backdrop of the custom and practices in the [film and television] industry." Plaintiff's Memorandum in Support of Plaintiff's Response to Defendants' Third Motion to Dismiss, Docket Entry No. 45 at ¶ 37. However, his claim that he was trying to sell an idea, critical to this misappropriation claim, is belied by the text of his own "descriptive sales packet," which does not offer any idea for sale, but rather seeks "sponsorship" for a "Music Theatre" company he was trying to establish in Marshalltown, Iowa. See Second Amended Complaint, Docket Entry No. 38, Exhibit G.

[35] Keane also cites language in *Capital Films Corp. v. Charles Fries Productions, Inc.*, 628 F.2d 387, 395 (5th Cir. 1980) to argue that a "confidential relationship" could have existed between him and Pearson even though his idea was published. In *Capital Films* the court held that "under certain circumstances, the practice of screening movies [to agents and potential film distributors] can support a jury's finding of 'confidential relationship'" necessary to prevail on a misappropriation of idea claim. *Id.* at 395. However, the factual predicate of that case does not parallel this one. The plaintiff in *Capital Films* had actually produced and distributed a film; the defendant subsequently endeavored to produce a television movie based on the same idea and using the same title. *Capital Films* does not stand for the broad proposition that

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ON COPYRIGHT § 1.01[B][1][H] (2003); *Nat'l Basketball Ass'n v. Motorola, Inc.*, 105 F.3d 841, 850 (2d Cir. 1997).

Furthermore, Keane's additional factual assertion that he advertised his "American Idol" concept on the Internet entirely eviscerates his ability to characterize that concept as a trade secret or as an idea that was conveyed in confidence to a select group.[**]

Because Keane's own allegations show that he did not possess a trade secret or convey a protected idea in confidence, Keane's general claim of unfair competition based on the specific allegation of misappropriation of idea/trade secret, Counts IV and VII in his Second Amended Complaint, will de dismissed.

4. Count VI: Common Law Breach of Implied Contract

An implied-in-fact contract is one whose existence and terms arise from conduct rather than words. *Preston Farm & Ranch Supply, Inc. v. Bio-Zyme Enterprises*, 625 S.W.2d 295, 298 (Tex. 1981). For the submission of an idea to give rise to an implied contract, two circumstances must have existed when the idea was disclosed: (1) the "idea purveyer" must have "clearly conditioned his offer to convey the idea upon an obligation to pay" for the use of that idea *before* it was disclosed, and (2) the offeree must have agreed to have the idea disclosed knowing of this condition. *Kleck v. Bausch & Lomb, Inc.*, 145 F. Supp.2d 819,

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any mass publication of a bare idea to members of the entertainment industry can create a confidential relationship.

[**] See Second Amended Complaint, Docket Entry No. 38 at ¶ 30.

824 (W.D. Tex. 2000) (*citing Desny v. Wilder*, 299 P.2d 257, 270 (Cal. 1956)).

Keane makes conclusory claims that an implied contract arose when he conveyed his "American Idol" idea to Pearson in a massmailed letter that he claims shows that he expected to be compensated for any use of that idea.[97] He further asserts that by producing the *American Idol* television show in the United States, the defendant "impliedly agree[d] and promis[ed] to pay Keane for their use of Keane's American Idol."[98] Finally, Keane argues that his breach of implied contract claim is legitimately raised against the other defendants (i.e., those other than FremantleMedia NA, which Keane claims is Pearson's precursor) because when he advertised his "American Idol" idea on the Internet "the same potential to form an implied contract arose with recipients as mailing the descriptive sales packet."[99]

The court is not persuaded by Keane's arguments. Neither the act of mass-mailing a "sales packet" to a stranger, wherein an idea is described, nor the act of advertising an unprotected idea for sale on the Internet is an act likely to create an implied contract between the idea man and those who read of his idea as a result. Furthermore, the letter to which Keane points to buttress his allegations[100] neither offers an idea for sale nor conditions the

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[97] *Id.* at ¶¶ 28, 91.

[98] *Id.* at ¶ 93.

[99] Plaintiff's Memorandum in Support of Plaintiff's Response to Defendants' Third Motion to Dismiss, Docket Entry No. 45 at ¶ 40.

[100] See Second Amended Complaint, Docket Entry No. 38, Exhibit G.

disclosure of an idea on a promise that he be paid should the letter's recipient opt to use his idea at some point in the future. Keane's letter shows that he was merely seeking sponsors for his own undertaking, not buyers for his idea. "A submission [of any idea] made for the purpose of interesting the recipient in participating in the enterprise as a partner or joint venturer will not give rise to an implied-in-fact contract because there is no evidence of an expectation of compensation for the service of revealing the idea." *Kleck*, 145 F. Supp.2d 819, 825 (W.D. Tex. 2000) (*citing Aliotti v. R. Dakin & Co.*, 831 F.2d 898, 902-03 (9th Cir. 1987), and holding that "no contract may be implied where an idea has been disclosed not to gain compensation for that idea but for the sole purpose of inducing the defendant to enter a future business relationship"). Moreover, Keane's idea for an "American Idol" talent show is simply blurted out in the letter that he attaches to his Second Amended Complaint. The "idea man who blurts out his idea without having first made his bargain" – whether in a so-called sales packet, Internet postings, or discussions with family members and callow undergraduate students – "has no one but himself to blame for the loss of his bargaining power." *Kleck*, 145 F. Supp.2d at 824 (*quoting Desny*, 299 P.2d at 270). Disclosure cannot accompany a condition that is a prerequisite of disclosure. *Id.* at 825.

Keane makes no allegations suggesting that he and any of the defendants had a meeting of the minds such that a contract among them could be implied. *See Fraud-Tech Inc. v. Choicepoint, Inc.*, 102 S.W.3d 366, 385-86 (Tex. App. – Fort Worth 2003, reh'g overruled, writ denied) (*quoting Ishin Speed Sport, Inc. v. Rutherford*, 933 S.W.2d 343, 348 (Tex. App. – Fort Worth 1996, no

writ)). In *Fraud-Tech*, where the court found that a fact issue existed as to whether an agreement between the parties was an implied-in-fact contract, the parties had prior dealings, including a mutual nondisclosure agreement to protect against the dissemination of their confidential information, they had signed a letter of intent, and they had started to perform under a written contract before it was formally executed. *Id.* at 371. Keane has alleged no analogous facts. Indeed, the documents that Keane has incorporated by reference into his Second Amended Complaint undercut any suggestion that he conveyed an idea to any defendant on the condition that, if used, he be paid for it. Therefore, Keane's breach of implied contract claim, Count VI in his Second Amended Complaint, will be dismissed.

5. Count VIII: Common Law Quantum Meruit

Quantum meruit is an equitable theory of recovery based on an implied agreement to pay for benefits received. *Vortt Exploration Co., Inc. v. Chevron U.S.A., Inc.*, 787 S.W.2d 942, 944 (Tex. 1990). To recover under the doctrine of quantum meruit a plaintiff must establish that (1) valuable services and/or materials were furnished (2) to the party sought to be charged (3) that were accepted by the party sought to be charged and (4) under such circumstances that reasonably notified the recipient that the plaintiff, in performing, expected to be paid by the recipient. *Heldenfels Brothers, Inc. v. City of Corpus Christi*, 832 S.W.2d 39, 41 (Tex. 1992).

Keane alleges that he rendered a valuable service by creating his "descriptive sales packet" and submitting it to

the defendants.[101] He further alleges that the defendants accepted his "descriptive sales packet."[102] Keane then argues that his expectation that he be paid for the use of his idea was in and of itself a circumstance sufficient to reasonably notify defendants that he expected to be paid for its use.[103] Therefore, he claims to be entitled to reimbursement for services rendered "in developing, promoting and marketing his American Idol idea and his AMERICAN IDOL mark," which is distinct from a claim for defendants' unauthorized copying and distribution of a copyrighted work.[104]

Even assuming that producing and distributing what Keane calls a "descriptive sales packet" was a valuable service and assuming that at least one of the defendants did in fact accept this service, Keane has not alleged any facts to sustain the indispensable fourth element that this exchange of information was made under circumstances that reasonably notified the recipient that Keane, in performing the act of mailing and conveying his idea, expected to be paid by the recipient.

In *Heldenfels Bros.*, 832 S.W.2d at 42, the court concluded that no evidence had been presented that the defendant had notice that Heldenfels, a subcontractor who had supplied materials and labor as part of a construction project, anticipated payment from the defendant before Heldenfels performed. Likewise, Keane has not alleged

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[101] *Id.* at ¶ 109.

[102] *Id.* at ¶ 110.

[103] *Id.* at ¶ 111.

[104] Plaintiff's Memorandum in Support of Plaintiff's Response to Defendants' Third Motion to Dismiss, Docket Entry No. 45 at ¶ 48.

any facts suggesting that Pearson, or any of the defendants in this action, were given reasonable notice that Keane anticipated being paid for "work" before Keane commenced performance. Keane suggests that generating the "American Idol" idea and mailing out that idea should both somehow be viewed as services rendered. Yet, Keane's Second Amended Complaint repeatedly alleges that he came up with the idea independently and disseminated the idea in hopes that someone would give him money to pursue its development. This behavior cannot rationally be characterized as a service rendered for another. Even permitting this irrational leap of faith, Keane acknowledges that in gratuitously mailing his "descriptive sales packet" and posting his idea on the Internet, he acted before defendants were on notice that he expected to be paid.

Keane fundamentally misconstrues the nature of a quantum meruit theory of recovery, essentially attempting to wrest a tale of alleged plagiarism to fit the elements of a cause of action generally available to those who directly interact with another party, offer to perform work in exchange for payment, and then are not paid but merit payment despite the absence of an express agreement regarding the work performed. *See, e.g., Ingleside v. Stewart*, 554 S.W.2d 939 (Tex. Civ. App. – Corpus Christi 1977, writ ref'd n.r.e.) (holding that quantum meruit was available where subcontractor had dealt with the municipality-defendant directly in reliance on the city's apparent management of the project). Therefore, Keane's quantum meruit claim, Count VIII in his Second Amended Complaint, will be dismissed.

C. The Relevance of Copyright Preemption to Counts II, IV, V, VI, VII, and VIII

FMNA argues in the alternative that because all of Keane's state law claims are vehicles through which Keane attempts to recover for the misappropriation of an idea that is within the purview of copyright law, these state law claims are preempted by federal copyright law. The court agrees.

When Congress amended the Copyright Act in 1976 it provided for the preemption of state law claims that satisfy two requirements. Under 17 U.S.C. § 301, a state law claim is preempted when (1) it seeks to vindicate "legal or equitable rights that are equivalent" to one of the bundle of exclusive rights already protected by federal copyright law (the "equivalency requirement"), and (2) the work to which the state law claim is being applied is among the types of works protected by the Copyright Act (the "subject matter requirement"). See 17 U.S.C. § 301. Therefore, determining whether a claim is preempted by the Copyright Act is a two-step process. "First, the cause of action is examined to determine if its subject matter falls 'within the subject matter of copyright.' Second, the cause of action is examined to determine if it protects rights . . . 'equivalent' to any of the exclusive rights of a federal copyright, as provided in 17 U.S.C. § 106," which gives copyright owners the exclusive right to authorize reproduction, adaptation, publication, performance, and display of their copyrighted works. *Daboub v. Gibbons*, 42 F.3d 285, 289 (5th Cir. 1995).

1. The Subject Matter Requirement

Section 102(a) of the Copyright Act lists eight categories of "works of authorship" that, when "fixed in any tangible medium of expression covered by the act," are amenable to copyright protection. 17 U.S.C. § 102(a). These categories include literary, musical, and dramatic works, motion pictures, and other audiovisual works. *Id.* The factual basis of all of Keane's state law causes of action is that his "American Idol" idea for a television or stage show, a type of material within the ambit of the Copyright Act, was improperly copied. Keane's "American Idol" idea (which Keane now concedes is only an idea and not the expression of an idea) is the type of material covered by the copyright laws even though it probably would not have qualified for protection under those laws in the form he describes. *See Synercom*, 474 F. Supp. at 43. Furthermore, the fact that Keane's "American Idol" idea was not copyrightable in the skeletal form suggested by his Second Amended Complaint does not dispose of the preemption issue. *Id.*

The Copyright Act preempts states' efforts to protect items that are in principle the type of material covered by the Act even though these items would not merit federal statutory protection because they are "too minimal or lacking in originality to qualify, or because it has fallen into the public domain." *Id.* (*quoting* H.R. No. 94-1476 at 131, *reprinted in* 1976 U.S.C.C.A.N. at 5747). More specifically, when claims involve the misappropriation of intellectual property, "section 301 preemption bars state law misappropriation claims with respect to uncopyrightable as well as copyrightable elements." *Nat'l Basketball Assoc.*, 105 F.3d at 849.

Thus, Keane's state law claims satisfy the subject matter requirement of copyright preemption.

2. The Equivalency Requirement

The core of each of Keane's state law claims is identical: the wrongful copying of an idea for a talent show to be called "American Idol." States are generally not permitted to regulate the use of ideas. *Synercom*, 474 F. Supp. at 43. Therefore, even assuming that the state law doctrines of unfair competition, misappropriation, implied contract, and/or quantum meruit would prevent the defendants from copying Keane's "American Idol" idea, the operation of those doctrines in the context presented here would be preempted.

Keane has failed to allege facts corresponding to any element, such as a breach of a fiduciary duty, that would render his claims different in kind from a copyright infringement claim. *See Daboub*, 42 F.3d at 289. The way that Keane claims to have disseminated his idea defeats his ability to circumvent federal copyright preemption because he cannot establish that his idea was conveyed in confidence as part of a commercial relationship or that an express or implied contractual relationship existed between him and any of the defendants. Thus, Keane is merely claiming that an idea contained in his "descriptive sales packet" and/or an Internet posting was copied. Such a claim falls into the ambit of federal copyright preemption. Thus, Keane's state law claims also satisfy the equivalency requirement of copyright preemption.

Keane himself initially framed his allegations in terms of copyright infringement but amended his complaint and removed those claims after the defendants

produced evidence showing that Keane had not in fact copyrighted any work that corresponded to the description of the "American Idol" that he proffered in his original complaint. Despite Keane's subsequent efforts to recharacterize uncopyrighted and uncopyrightable material as a trademark, a trade secret, a legally protected commercial idea, and a valuable service rendered, all of his state law claims, which rely on the allegation that his "American Idol" idea was stolen, are the kind of claims that are preempted by federal copyright law – even though they fail as a matter of copyright law.

V. Conclusion and Order

The court has repeatedly expressed skepticism about Keane's ability to state a claim for relief based on the facts alleged.[105] Keane has been afforded two opportunities to amend after having been given notice of the deficiencies in his complaints by the court's orders and by the FMNA defendants' previous motions to dismiss. Keane has failed to correct his pleading deficiencies. Therefore, FMNA's Third Motion to Dismiss Pursuant to Federal Rule 12(b)(6) (Docket Entry No. 42) is **GRANTED**, and Plaintiff's Second Amended Complaint (Docket Entry No. 38) will be dismissed with prejudice as to the FMNA defendants: Fox Television Stations, Inc., FremantleMedia of North America, Inc., and Simon Cowell.

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[105] See Order, Docket Entry No. 4, ordering plaintiff's counsel to file an affidavit detailing the legal and factual research performed prior to filing the lawsuit, and Minute Entry Order, Docket Entry No. 37, ordering plaintiff to file an amended complaint identifying with specificity the copyrighted work that he allegedly owned and the work of the defendants that plaintiff alleges infringed upon his copyright.

Because all of Keane's claims have been brought against all of the defendants based on the same set of factual allegations, and because the court has determined that Keane's allegations are insufficient to sustain any legally cognizable claim, Keane's Second Amended Complaint (Docket Entry No. 38) will also be dismissed with prejudice *sua sponte* as to the four unserved defendants: Simon Fuller, FremantleMedia, Ltd., 19 TV, Ltd., and Nigel Lythgoe. *See Malone v. Dallas City Manager's Office*, 2001 WL 910396, *2 (N.D. Tex. 2001) (dismissing claims against unserved as well as served defendants based on plaintiff's failure to state a claim).

SIGNED at Houston, Texas, on this 6th day of January, 2004.

/s/ Sim Lake
SIM LAKE
UNITED STATES DISTRICT JUDGE

APPENDIX C

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

HARRY T. KEANE, JR.,	§	
Plaintiff,	§	
v.	§	CIVIL ACTION NO. H-03-1642
FOX TELEVISION STATIONS, INC., et al.,	§	
Defendants.	§	

MEMORANDUM AND ORDER

Plaintiff, Harry T. Keane, Jr., brought this action against defendants, Fox Television Stations, Inc., Simon Fuller, FremantleMedia of North America, Inc., Simon Cowell, FremantleMedia, Ltd., 19 TV, Ltd., and Nigel Lythgoe, alleging federal trademark infringement and state common law claims for trademark infringement, unfair competition, breach of implied contract, misappropriation of idea/trade secrets, and quantum meruit.[1] Pending before the court is Defendants Fox Television Stations, Inc., FremantleMedia North America, Inc., and Simon Cowell's Motion for Award of Attorney's Fees (Docket Entry No. 57). For the reasons set forth below, the defendants' motion will be granted.

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[1] See Plaintiff's Second Amended Complaint, Docket Entry No. 38 at ¶¶ 53-113.

I. Factual and Procedural Background

On May 14, 2003, Keane filed this action alleging copyright and trademark infringement, Lanham Act violations, and Texas statutory unfair competition arising from Keane's allegation that he is the true creator of the television series *American Idol*.[2] On May 16, 2003, the court ordered Keane's attorney to file an affidavit detailing the legal and factual research performed prior to filing the lawsuit.[3] On June 4, 2003, Keane's attorney filed an affidavit and brief (Docket Entry Nos. 6 and 7) asserting that he believed that "Keane's expression of his [American Idol] idea was copyrightable as the issuance of a Certification Number creates such a presumption." That is, Keane's attorney attested to the belief that the expression of an idea that Keane describes as his "American Idol" idea had been duly copyrighted and a certificate issued.

On July 24, 2003, two defendants, Fox Television and FremantleMedia of North America, Inc., filed a Motion to Dismiss with Brief in Support (Docket Entry Nos. 10 and 11). On July 30, 2003, Keane filed Plaintiff's Notice of Designation of Attorney in Charge, announcing new counsel.[4] Then, on August 15, 2003, Keane filed an Unopposed Motion for Leave to File Plaintiff's First Amended Complaint (Docket Entry No. 17). After leave was granted (Docket Entry No. 19), Keane filed his First Amended Complaint (Docket Entry No. 24) abandoning the federal trademark dilution claim raised in the original complaint.

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[2] See Plaintiff's Original Complaint, Docket Entry No. 1 at ¶¶ 21-43.

[3] Order, Docket Entry No. 4.

[4] See Plaintiff's Notice of Designation of Attorney in Charge, Docket Entry No. 12.

Fox Television and FremantleMedia of North America, Inc-responded with a Second Motion to Dismiss with Brief in Support (Docket Entry Nos. 28 and 29) in which defendant Simon Cowell joined (Docket Entry No. 33). These three defendants were the only ones served during the course of this action and are collectively referred to below as "FMNA."

During a scheduling conference on October 3, 2003, the court repeated its concerns about Keane's copyright infringement claims, noting that the Copyright Act provides federal protection only for certain kinds of works and observing that Keane appeared to be claiming protection for an idea, "which is not protectable under any interpretation of the law."[5] The court advised Keane to reevaluate his strategy of alleging "every conceivable intellectual property claim other than a patent claim" and ordered him to file an amended complaint highlighting his meritorious claim within twenty days.[6]

On October 23, 2003, after having failed to produce evidence that the expression of his "American Idol" television show concept had in fact been copyrighted, Keane filed a Second Amended Complaint (Docket Entry No. 38) from which he removed his copyright infringement claim, as well as claims for injury to business reputation, breach of confidence, conversion, unjust enrichment, constructive trust, and declaratory relief. The eight claims in Keane's Second Amended Complaint were all still based on the allegation that defendants had misappropriated his

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[5] Transcript of Scheduling Conference, Docket Entry No. 63 at pp. 2-3.

[6] *Id.* at p. 5.

concept for a television talent show. Keane did not claim that he had produced an "American Idol" show. Instead, he alleged that he had tried to sell the idea and had sought backers by sending out a "descriptive sales packet" and posting information on the Internet.[7] The document that Keane characterized as a "descriptive sales packet" was attached to both his Second Amended Complaint and his Memorandum in Support of Plaintiff's Response to Defendants' Third Motion to Dismiss (Docket Entry No. 45) as Exhibit G.

On January 6, 2004, after having afforded Keane two opportunities to amend to correct the deficiencies in his complaints, the court granted FMNA's Third Motion to Dismiss Pursuant to Federal Rule 12(b)(6) (Docket Entry No. 42) in a Memorandum and Order (Docket Entry No. 51), thereby dismissing with prejudice Plaintiff's Second Amended Complaint against FMNA and dismissing with prejudice *sua sponte* as to all unserved defendants. On the same day a Final Judgment (Docket Entry No. 52), dismissing the action with prejudice, was entered.

On January 16, 2004, Keane filed a motion for a new trial (Docket Entry No. 56), which the court denied on March 5, 2004.[8] On January 22, 2004, FMNA filed the pending motion for an award of attorney's fees (Docket Entry No. 57.)

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[7] Plaintiff's Second Amended Complaint, Docket Entry No. 38 at ¶ 26.

[8] Order, Docket Entry No. 62.

II. FMNA's Motion for Award of Attorney's Fees

A. FNMA's Arguments

FMNA argues that, as a prevailing party, it is entitled to an award of reasonable attorneys' fees because the core of Keane's various complaints was his claims under the Lanham Act, 15 U.S.C. § 1051, *et seq.*, and the Copyright Act, 17 U.S.C. § 101, *et seq.* FMNA contends that not only were Keane's claims objectively unreasonable, but the misrepresentations that he made in pursuing those claims evidence bad faith.

Although the copyright claims in Keane's first two complaints were eventually abandoned, FMNA points out that its motion to dismiss Keane's Second Amended Complaint, from which the copyright claims had been removed, and the court's adjudication of that motion required evaluation and application of the doctrine of copyright preemption under the Copyright Act.[9]

FMNA also argues that when the defendant is the prevailing party the Lanham Act standard does not require proof that the plaintiff acted in bad faith (although it does require such proof when the prevailing party is a plaintiff). Nonetheless, FMNA argues that it has alleged and established that Keane lacked good faith in pursuing this lawsuit.

As evidence of Keane's bad faith, FMNA points to the fact that he misled the court on two occasions as to the existence of copyright registrations. In Keane's original complaint he claimed that he had a copyright registration

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[9] Defendants Fox Television Stations, Inc., FremantleMedia North American, Inc., and Simon Cowell's Reply, Docket Entry No. 61 at p. 3.

for his concept for "American Idol" when in fact that registration protected a one-paragraph summary of the life of Elvis Presley.[10] Keane then amended and attached a registration to his first amended complaint that turned out to be a registration that had been erroneously issued and which the Copyright Office had previously directed Keane to destroy.[11] FMNA notes that in Keane's response to the pending motion he did not attempt to explain why he had misled the court in this manner.[12]

FMNA also points to the fact that Keane waited until Fox's *American Idol* television show was in its second season and had proven to be wildly successful before filing this action. Furthermore, the filing of the lawsuit and the initial *ex parte* request for a restraining order were timed to coincide with the show's season finale and were accompanied by a press announcement that revealed to reporters that Keane's original notice-and-demand letter contained a $300 million settlement request.[13]

FMNA argues that it is entitled to a full award of attorney's fees notwithstanding the various state law claims that Keane alleged because the court ultimately concluded that Keane's state law claims were copyright preempted. FMNA also argues that the complaint clearly demonstrates that the factual basis of all of Keane's claims

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[10] Brief in Support of Defendants' First Motion to Dismiss, Docket Entry No. 11 at p. 6 and Exhs. A & B.

[11] Brief in Support of Defendants' Second Motion to Dismiss, Docket Entry No. 29 at p. 7; Plaintiff's First Amended Complaint, Docket Entry No. 18, Exh. G.

[12] FMNA's Reply, Docket Entry No. 61 at p. 1.

[13] FMNA's Motion for Award of Attorney's Fees, Docket Entry No. 57, Exh. 4 at p. 2.

were intertwined and in fact based on the identical alleged wrongs.

FMNA seeks an award of $129,657.40.[14] FMNA contends that this amount is reasonable for several reasons. First, Keane's lawsuit sought hundreds of millions of dollars and ownership interest in one of the most valuable television properties in existence. Thus, even though the claims were baseless, FMNA was entitled and in fact obligated to mount a "defense commensurate with the business-destroying relief sought."[15] Second, FMNA argues that despite the high stakes involved its lawyers responded conservatively, refraining from taking depositions while its motions to dismiss were pending.[16]

B. Keane's Response

Keane argues that FMNA has no evidence that it was the "prevailing party" such that it can rely on section 505 of the Copyright Act. Keane asserts that his copyright claims were never adjudicated because he voluntarily dismissed those claims. He further notes that the court, in expressing its initial skepticism and ordering Keane to clarify his copyright claim, prompted Keane to amend his pleadings. Therefore, in Keane's view FMNA cannot claim to be the prevailing party based solely on its briefing efforts.

Keane also argues that an award of attorney's fees under the Lanham Act would not be appropriate because

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[14] *Id.* Exh. 2, Affidavit of Marc Sheiness at ¶ 17.

[15] FMNA's Reply, Docket Entry No. 61 at p. 6.

[16] *Id.*

Keane acted in good faith, as evidenced by the fact that "experts" verified the facts and law that gave rise to this action.[17] Keane argues that FMNA's claim that this action was frivolous is belied by its claim that its legal team expended 412.5 hours researching and preparing the motions to dismiss the action. Finally, Keane contends that even if the court concludes that FMNA is entitled to attorneys' fees, FMNA's request is "unreasonably high, unsubstantiated, and seeks fees for work not authorized by the statute."[18]

III. Analysis

FMNA seeks an award of attorneys' fees pursuant to two federal statutes, section 505 of the Copyright Act and section 1117 of the Lanham Act.

A. Recovery Under the Copyright Act

Section 505 of the Copyright Act provides that

> [i]n any civil action under this title, the court in its discretion may allow the recovery of full costs by or against any party other than the United States or an officer thereof. Except as otherwise provided by this title, the court may also award a reasonable attorney's fee to the prevailing party as part of the costs.

17 U.S.C. § 505. Attorneys' fees in copyright actions are "the rule rather than the exception." *Micromanipulator*

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[17] Plaintiff's Response to Motion for Award of Attorney's Fees, Docket Entry No. 60 at p. 1.

[18] *Id.* at p. 2.

Co. v. Bough, 779 F.2d 255, 259 (5th Cir. 1985). However, the Supreme Court has interpreted section 505 as granting courts discretion to make such awards based upon consideration of several factors. *Fogerty v. Fantasy, Inc.*, 114 S.Ct. 1023, 1033 (1994). The Court's nonexhaustive list of factors includes "frivolousness, motivation, objective unreasonableness (both in the factual and in the legal components of the case), and the need in particular circumstances to advance considerations of compensation and deterrents." *Fogerty*, 114 S.Ct. at 1033 n.19 (*quoting Lieb v. Topstone Industries, Inc.*, 788 F.2d 151, 156 (3d Cir. 1986)). "The two most important considerations in determining whether to award attorneys' fees in a copyright case are the strength of the prevailing party's case and the amount of damages or other relief the party obtained." *Assessment Technologies of WI, LLC v. WIREData, Inc.*, 2004 WL 515626 (7th Cir. 2004). When the prevailing party is the defendant, the presumption in favor of awarding fees is very strong. *Id.* (*citing Diamond Star Building Corp. v. Freed*, 30 F.3d 503, 506 (4th Cir. 1994)).

The first issue is whether FMNA qualifies as a "prevailing party" under the Copyright Act that provides it with standing to invoke section 505. The court concludes that FMNA qualifies as a "prevailing party." *See Corcoran v. Columbia Broadcasting System*, 121 F.2d 575, 576 (9th Cir. 1941) (*holding* award of attorney's fees in suit that was voluntarily dismissed was within the sound discretion of the trial court).

In applying the relevant *Fogerty* factors of frivolousness, motivation, objective unreasonableness, and the need to advance considerations of compensation and deterrence, the court concludes that an award of attorneys' fees is justified. *See Fogerty*, 114 S.Ct. at 1033 n.19. The Copyright

Act protects the property rights of those who own copyrighted material. It was objectively unreasonable for Keane to pursue a lawsuit premised on copyright infringement when he knew (and his lawyers should have ascertained) that he did not in fact possess a valid copyright registration for the expression of an idea for a television talent show called "American Idol." Basic principles of copyright law dictate that bare ideas are not copyrightable, and most attempts to secure protection of ideas under state law are preempted by federal copyright law even when the bare idea itself is not copyrightable.

That the efforts of opposing counsel and expressions of skepticism by the court prompted Keane to drop his copyright claims from his Second Amended Complaint does not alter the fact that FMNA is the prevailing party under the Copyright Act, particularly since the court concluded that the claims in Keane's final complaint were merely an attempt to pursue copyright infringement claims in another (and legally unsound) guise. Moreover, the court specifically held that all of the state law claims in Keane's Second Amended Complaint were copyright preempted.[19]

B. Recovery Under the Lanham Act

Under the Lanham Act FMNA is the prevailing party. The Lanham Act provides that "[t]he court in exceptional cases may award reasonable attorney's fees to the prevailing party." 15 U.S.C. § 117(a). To recover attorneys' fees FMNA must demonstrate the exceptional nature of the case by clear and convincing evidence. *CJC Holdings, Inc.*

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[19] See Memorandum and Order, Docket Entry No. 51 at pp. 46-50.

v. Wright & Lato, Inc., 979 F.2d 60, 65 (5th Cir. 1992). In *Procter & Gamble Co. v. Amway Corp.*, 280 F.3d 519, 527 (5th Cir. 2002), the Fifth Circuit discussed the means a district court should employ to determine whether a case qualifies as "exceptional" and is thus worthy of an award of attorneys' fees. The Fifth Circuit held that a court should consider the objective merits of the suit in order to assess the plaintiff's good or bad faith. *Id.* Reading *Procter & Gamble* to require clear and convincing evidence of bad faith, the court concludes that FMNA has met its burden. The court surveys the evidence of plaintiff's bad faith below.

In responding to the pending motion Keane attached a copy of FMNA's attorney's response to his original demand letter.[20] In that letter defense counsel requested copies of certain materials to enable the attorney to evaluate the legitimacy of Keane's claims. The contents of that letter provide a roadmap of the materials Keane's own attorneys should have amassed before filing a lawsuit seeking relief under federal intellectual property law: *e.g.*, copies of the relevant state and federal trademark applications and registrations, copies of all federal copyright registrations and copies of works on file with the federal Copyright Office, a list of financial investors Keane had allegedly solicited, copies of the advertisements that Keane had allegedly posted on the Internet, etc. *Id.*

Before Keane's attorneys drafted a complaint, made exorbitant monetary demands, and issued press releases on their client's behalf, they should have asked Keane to produce the materials identified above in order to verify

[20] Plaintiff's Response, Docket Entry No. 60, Exhibit D.

his claim that he owned copyrighted material upon which FMNA had infringed. They did not do this. Nor did they investigate whether such materials existed until well after this action had been filed. In the court's view this conduct alone amounts to evidence that Keane's attorneys violated Federal Rule of Civil Procedure 11(b) when they filed this action.

Keane's first attorney, Ryan Bormaster, now claims that he spent approximately three months investigating Keane's allegations and consulted with intellectual property law experts before he presented the demand letter and a draft of the original complaint to FMNA.[21] However, even after all of this time and the court's exhaustive explanation as to why the claims alleged in Keane's Second Amended Complaint lacked merit, Keane's attorneys still seemed unable to apprehend that a "concept" cannot be copyrighted.[22] A basic investigation of the facts and of the law upon which they hoped to rely should have revealed to Keane's attorneys at the outset that Keane did not have a viable case.

Keane makes much of the fact that he hired multiple experts, including an expert who examined the contents of an envelope containing notes allegedly drafted in 1994, which Keane mailed to himself several years later.[23] Whether or not Keane's claims regarding the existence and handling of those notes is true, uncopyrighted material is

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[21] *Id.* Exh. A, Affidavit of Ryan B. Bormaster at p. 2.

[22] Plaintiff's Response, Docket Entry No. 60 at pp. 2-3 (describing Keane's attorney's efforts to determine whether Keane "had viable claims against the defendants arising from his original concept for 'American Idol' ").

[23] See Plaintiff's Surresponse, Docket Entry No. 65.

not protected by the Copyright Act. The attorneys should have taken the simple steps of seeking verification from the Copyright Office that a valid copyright registration existed for the expression of an idea called "American Idol" and that the expression of the idea matched the contents of Keane's notes. They did not do so. Instead, nine months after Keane had first approached them in January of 2003, and having determined that Keane had not in fact copyrighted the expression of his "American Idol" television talent show concept, Keane's lawyers amended his complaint and endeavored to recast copyright claims as trademark infringement claims. Again, a modicum of research should have revealed to Keane's attorneys that a "concept" – whether it is described in notes mailed to oneself, discussed with friends, posted on the Internet, or mentioned in an unsolicited "sales packet" mailed out in the hopes of procuring backers – is not a trademark, a trademarked product, or a trade secret.[24]

Keane's attorneys offer as evidence of their good faith the fact that in the midst of their briefing of the case the Supreme Court issued an opinion that was "devastating to [Keane's] Lanham Act pleading."[25] That case, *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 123 S.Ct. 2041 (2003), was decided on June 2, 2003; Keane did not file his Second Amended Complaint with his Lanham Act claims until October 23, 2003. Since Keane had over four months to become familiar with *Dastar,* his attempt to offer the opinion as an excuse for the inadequacies of his pleadings (and his subsequent claim that *Dastar* was

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[24] See Memorandum and Order, Docket Entry No. 51.

[25] Plaintiff's Response, Docket Entry No. 60 at p. 14.

entirely distinguishable) is further evidence of the objective unreasonableness of this lawsuit. *Dastar* bore directly on Keane's reverse palming-off claim. But even if *Dastar* had never been decided, Keane's own factual allegations demonstrated that he had never used "American Idol" in commerce, a prerequisite for a legitimate trademark claim.

The court concludes that no reasonable investigation of the law and facts underlying this action could have sustained (1) a reasonable belief that Keane had a copyright in an idea/concept[26] because ideas are not copyrightable, (2) a reasonable belief that an *ex parte* application for a restraining order was appropriate when the television show *American Idol* had already been on the air for two years, (3) a reasonable belief that misrepresenting the existence of a copyright registration to the court was justified, or (4) a reasonable belief that trademark law applied to a "mark" or to a concept that had never actually been used in commerce as countenanced by long-standing principles of trademark law.

The fact that Keane retained lawyers who were willing to act without proper investigation and then misrepresent the factual evidence and governing case law to the court does not insulate Keane from the allegation that this lawsuit was pursued in bad faith.

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[26] As the court explained at length in its Memorandum and Order (Docket Entry No. 51), ideas memorialized in handwritten notes that a person mails to himself are still ideas; and as such, they are not copyrightable. Treatments delineating ideas for television shows are protectable, but only if the creator makes a proper filing with the United States Copyright Office.

C. Amount of the Award

The court has concluded that FMNA is entitled to a fee award under both the Copyright Act and the Lanham Act. When making an award under a given statute the court should endeavor to make an award that reflects the work undertaken in relation to the claims under that particular statute. For instance, in making an award under the Lanham Act a court should permit recovery for work on non-Lanham Act claims only if "the Lanham Act and non-Lanham Act claims are so intertwined that it is *impossible to differentiate* between work done on claims." *Gracie v. Gracie,* 217 F.3d 1060, 1069-70 (9th Cir. 2000) (citations omitted, emphasis in original). However, when the defense of state law claims is so intermingled with the defense of the claims permitting the award, the court need not divide the fees on a claim-by-claim basis. *See Hensley v. Eckerhart,* 103 S.Ct. 1933, 1940 (1983) (emphasizing that the most important factor to consider in determining a fee award is the results achieved). When the plaintiff's claims are based on "a common core of facts or . . . related legal theories" and "[m]uch of counsel's time [was] devoted generally to the litigation as a whole" the lawsuit "cannot be viewed as a series of discrete claims." *Id.* The court concludes that all of the claims in this action were based on a unitary set of facts and thus no division of fees is required.

FMNA has provided appendices delineating the hours spent on each aspect of the litigation by each individual attorney.[27] The experience of defense counsel, as evidenced

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[27] FMNA's Motion for Award of Attorney's Fees, Docket Entry No. 57, Exhs. 1-3.

by their affidavits, amply demonstrates the reasonableness of their rates.

Contrary to Keane's protestations, the amount of resources required to dispose of Keane's claims does not indicate either that those claims were not frivolous or that the attorneys' fees were unreasonable.[28] Instead, the expenditure of resources reflects the time required to evaluate multiple complaints containing different claims, the last of which included eight distinct counts, which Keane endeavored to bolster by attaching thirteen exhibits, none of which showed an understanding or adequate application of the relevant statutory and common law.[29] The court concludes that 412.5 hours was reasonable.

The compensable hours multiplied by the attorneys' various hourly rates, which are in turn based on a hierarchy of experience, produces the "lodestar." *Sims v. Jefferson Downs Racing Assn, Inc.*, 778 F.2d 1068, 1084 (5th Cir. 1985). To the lodestar the court adds the reasonable litigation expenses not recoverable as costs of court. *Copper Liquor, Inc. v. Adolf Coors Co*, 684 F.2d 1087, 1100-01 (5th Cir. 1982) (overruled on other grounds). Thus, the total award for recoverable attorneys' fees is $129,657.40. This amount reflects Marc Sheiness's voluntary reduction of his firm's legal fees from $104,879.76 to $79,979.76 to account for overlap and other inefficiencies.[30]

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[28] This argument smacks of the same chutzpah as that of the parricide seeking mercy on the grounds that he is now an orphan.

[29] See Plaintiff's Second Amended Complaint, Docket Entry No. 38.

[30] FMNA's Motion for Award of Attorney's Fees, Docket Entry No. 57, Exh. 2 at ¶ 17.

IV. Conclusion and Order

For the reasons discussed above, Defendants Fox Television Stations, Inc., FremantleMedia North America, Inc., and Simon Cowell's Motion for Award of Attorney's Fees (Docket Entry No. 57) is **GRANTED**. The court **ORDERS and ADJUDGES** that plaintiff, Harry Keane, pay to defendants, Fox Television Stations, Inc., Simon Fuller, FremantleMedia of North America, Inc., Simon Cowell, FremantleMedia, Ltd., 19 TV, Ltd., and Nigel Lythgoe, reasonable attorneys' fees and costs in the amount of $129,657.40.

SIGNED at Houston, Texas, on this 12th day of April, 2004.

/s/ Sim Lake
SIM LAKE
UNITED STATES
DISTRICT JUDGE

APPENDIX D

IN THE UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT

No. 04-20340

Consolidated With
Case No. 04-20437

HARRY T KEANE, JR

Plaintiff-Appellant

v.

FOX TELEVISION STATIONS INC; KRIV FOX 26 (HOUSTON TX); SIMON COWELL; SIMON FULLER, Individually, doing business as 19TV; FREMANTLEMEDIA OF NORTH AMERICA INC; FREMANTLEMEDIA LTD; 19TV LTD; NIGEL LYTHGOE

Defendants-Appellees

Appeals from the United States District Court for the Southern District of Texas, Houston

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ON PETITION FOR REHEARING

(Filed Apr. 19, 2005)

Before DAVIS, SMITH, and DeMOSS, Circuit Judges.

PER CURIAM:

IT IS ORDERED that the petition for rehearing is denied.

ENTERED FOR THE COURT:

/s/ W. Eugene Davis
United States Circuit Judge

REHG-2

No. 05-202

FILED
SEP 9 - 2005
OFFICE OF THE CLERK
SUPREME COURT, U.S.

In The
Supreme Court of the United States

HARRY T. KEANE, JR.,

Petitioner,

v.

FOX TELEVISION STATION, INC., FREMANTLEMEDIA, LTD., and SIMON COWELL,

Respondents.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Fifth Circuit

BRIEF IN OPPOSITION

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QUESTIONS PRESENTED FOR REVIEW

On June 30, 2005, Petitioner filed an *Application for An Extension of Time Within Which to File a Writ of Certiorari to the United States Court of Appeals For The Fifth Circuit*. In that Application, Petitioner stated that the Petition would concern an award of attorney's fees under the Copyright Act. Based on the representations made in the Application, it was granted. However, in the Petition for a Writ of Certiorari, Petitioner lists two additional "Questions Presented." Accordingly, Respondents object to the consideration of the second and third Questions Presented, and assert that there is only one properly presented question:

1. Whether a defendant is considered the "prevailing party" for purposes of asserting attorney's fees under the Copyright Act when the plaintiff voluntarily dismisses the copyright claim.[1]

Although Respondents object to the two additional Questions Presented, the reasons for denying review on those questions will be addressed in this brief.

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[1] This is the "Question Presented" as termed by Petitioner. In truth, the question presented is: can Keane avoid an award of attorney's fees by dismissing a Copyright Act claim at the last minute while a motion to dismiss that claim is pending?

PARTIES TO THE PROCEEDINGS

Petitioner is Harry T. Keane, Jr.

Respondent Fox Television Stations, Inc. is not a publicly-traded corporation, and its parent company is News Corporation.

Respondent FremantleMedia of North America, Inc. is not a publicly-traded corporation.[2]

Respondent Simon Cowell is an individual.

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[2] Petitioner erroneously lists "FreemantleMedia, Ltd." as a party in the Petition's case style. FremantleMedia, Ltd. was not a party to the proceedings below, and is not a party to the proceedings before this Court.

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STATEMENT OF THE CASE

Petitioner Harry T. Keane, Jr. asks this Court to review the Fifth Circuit's opinion affirming a dismissal under Federal Rule of Civil Procedure 12(b)(6) and award of attorney's fees. In the district court, Keane alleged that in 1994 he came up with the idea of a televised competition of Elvis impersonators, to be called "Elvis, Then, Now & Forever," with alternate titles of "Ultimate Starsearch," "American Idol" and "American Superstars." Keane further alleged that in the ensuing years he embellished upon his idea, but he never actually used "American Idol" on or in connection with any goods or services in commerce. Instead, his pleading alleged what Keane himself describes as his "unsuccessful" efforts to obtain investors to produce a program based on his idea.

Thus, Keane alleged that to try to raise funds to develop his concept into a television program, he "compiled a descriptive sales packet" in 1998 to send "to potential financial investors, business associates and production companies." The "descriptive sales packet" disclosed his concept, including "another unique element" he claims to have originated – "an open casting call to young adults" – as well as his idea for "spin-offs." He further alleged that on or about May 8, 1998 he mailed this "descriptive sales packet" "to a list of production companies advertising in *Variety* magazine," including Pearson TV Intl., whose advertisement in *Variety* "solicited ideas, concepts, programs and intellectual property from, *inter alia*, Keane." He also alleged that Pearson TV Intl., is "one of [defendant

Simon] Fuller's companies" in England.[3] Apparently, none of the companies responded.

Although Keane alleged that the Pearson TV Intl.'s "advertisement" in *Variety* "solicited" the submission of ideas from Keane and others, the *Variety* page attached to Keane's Complaint lists show sellers, not show solicitors, attending a television convention or market called MIP. The Pearson TV Intl. "advertisement" that Keane alleged "solicited" his idea, actually identified the representatives of Pearson TV Intl. planning to attend the convention and the two television dramas and two television game shows that Pearson TV Intl. hoped to sell at that convention. Further, the *Variety* page – which alone covers thirteen companies whose names begin with "P" – is only one page of the *Variety* issue's listing of the companies attending MIP and to whom Keane allegedly sent his "descriptive sales packet" disclosing his idea.

Keane alleged that he also tried to "market and promote" his concept "under his AMERICAN IDOL mark by placing advertisements on the Internet," though his pleadings contained no descriptions or examples of the advertisements. Keane further alleged that in 2000, one Daniel Schomaker bought a 15% interest in Keane's company, NuVista Cinema Ent., Inc., and their "agreement references [the company's] projects as 'Elvis, Then, Now & Forever,' 'A Child's Wish' and 'American Idol.'" Keane continued to try to obtain "investors for 'American Idol' but was unsuccessful," and he never produced "his" "American Idol."

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[3] Simon Fuller was never served with process in this lawsuit, and is not a party to these proceedings.

Although he alleged in detail his admitted failure to produce, let alone broadcast, "his" "American Idol," Keane also alleged in conclusory fashion that he "developed valuable" and "extensive goodwill" in "American Idol" as his own "trademark." Further, he alleged that defendants usurped that "extensive goodwill" and confused the public by producing "his" show, first in the United Kingdom under the name *Pop Idol* and then in the United States as *American Idol*.

On May 14, 2003 – which Keane later argued was just coincidentally seven days before the television broadcast of the season finale of *American Idol* – Keane filed the action below and, with a press announcement, sought an *ex parte* Order restraining the finale's broadcast. He asserted in his Original Complaint: (1) copyright infringement; (2) trademark infringement under Section 43(a) of the Lanham Act; (3) federal trademark dilution; and (4) state law unfair competition. The many exhibits attached to his Complaint included a copyright registration form – without any Copyright Office stamp – dated 1994 and which Keane alleged was the "original application" he submitted to "register his [American Idol] ideas with the United States Copyright Office," and two 1997 copyright registrations he alleged had been issued for his "American Idol" idea. He also alleged that defendants were infringing and diluting his "famous" "American Idol" trademark, but he failed to allege he had ever used that mark for goods or services in commerce.

In its May 16, 2003 Order denying Keane's *ex parte* application for a Temporary Restraining Order, the district court specifically noted that Keane failed to demonstrate ownership of a copyright in *American Idol* and that his copyright and trademark claims appeared to "lack merit."

Cowell, Fox, and FreemantleMedia (the "FMNA Defendants") filed their first Rule 12(b)(6) Motion, pointing out, *inter alia*, that the Copyright Office's records revealed that Keane had no 1994 registration and that Keane's supposed application for his "American Idol" idea was actually for a one-paragraph summary of the life of Elvis Presley.

Keane's First Amended Complaint attached yet another copyright registration, which he alleged was the true registration for his "American Idol." But – as defendants pointed out in their second Rule 12(b)(6) motion – Keane's allegation was again directly contradicted by the Copyright Office records, which showed that this registration had been issued in error and cancelled and that the Copyright Office had instructed Keane to destroy the certificate of registration he had received.

After being given yet another opportunity to replead, Keane's Second Amended Complaint abandoned the copyright claim but continued to assert federal and Texas infringement and unfair competition claims, along with state law claims again based on the same allegations. Keane again attached exhibits – this time 13 – to his pleading and those exhibits contradicted his allegations.

The district court granted the FMNA Defendants' Third Motion to Dismiss, and based in part on Keane's bad faith pursuit of his frivolous copyright and trademark claims, the district court also awarded the FMNA Defendants $129,657.40 in attorney's fees and costs. The Fifth Circuit affirmed the dismissal and award of attorney's fees in an order entered on March 17, 2005. Keane's Motion for Rehearing was denied on April 19, 2005.

REASONS THE PETITION SHOULD BE DENIED

Petitioner asked for and received additional time to file his Petition for one issue. Instead, he now seeks review for two additional issues, and has mischaracterized or omitted material facts in his Petition. Pursuant to Supreme Court Rule 15(2), Respondents file this Brief in Opposition for two reasons: (1) to set the record straight on the omissions and mischaracterizations made in the Petition, and (2) to set forth the reasons that this Court should deny the Petition.

I. BECAUSE THE AWARD OF ATTORNEY'S FEES WAS BASED ON BOTH THE COPYRIGHT ACT AND THE LANHAM ACT, THERE IS NO CONFLICT IN HOLDINGS FOR THIS COURT TO RESOLVE.

A. Petitioner fails to mention that the attorney fee award was affirmed pursuant to both the Copyright Act and the Lanham Act.

Keane initially filed his lawsuit as a copyright infringement action. After twice pleading a copyright claim, after defendants filed two motions to dismiss and after several admonishments from the district court, Keane avoided the district court's dismissal of his copyright claim only by abandoning it in his Second Amended Complaint. The remaining claims, including Keane's claims under the Lanham Act and those state law claims pre-empted by the Copyright Act, were dismissed by the district court. Keane maintains that because he did not dismiss his Copyright Act claims "with prejudice," the FMNA Defendants are not the prevailing parties.

Significantly, Keane failed to point out that the award of attorney's fees was affirmed under both the Copyright Act and the Lanham Act. Appendix A at 4. Accordingly, even if the Court agrees with Keane, this case does not present an opportunity to clarify any perceived split in authorities; a reversal on the Copyright Act basis for the fee award will not affect the propriety or amount of the fee award.

B. There is no conflict on the merits for this Court to resolve.

While Keane correctly notes that the district court relied on *Corcoran v. Columbia Broadcasting System*, 121 F.2d 575 (9th Cir. 1941) in awarding attorney's fees on his dismissed copyright claims, the authorities cited by Keane from other circuits do not demonstrate a split in the circuits on this question. Specifically, the cases relied on by Keane do not interpret Section 505 of the Copyright Act and therefore do not consider the factors required for an award thereunder. The rationale underlying *Szabo Food Service, Inc. v. Canteen Corp.*, 823 F.2d 1073, 1076-77 (7th Cir. 1987) and *Best Industries, Inc. v. CIS Bio Int'l, Inc.*, 134 F.3d 362 (4th Cir. 1998) (per curium), the cases cited by Keane, is that a voluntary dismissal preserves the plaintiff's right to re-file the same claim and therefore it is premature to say that the defendant "prevailed." However, given the exposure of Keane's deceitful use of his "copyright registration" to support his claims in the first two complaints, it is absurd to suggest that he could refile the copyright claim at a later date.

The principle announced in *Corcoran* remains unchallenged in the copyright arena. It also makes sense: even

though Keane abandoned his claim, he put the FMNA Defendants to the task of defending it and in the case below they prevailed on that claim. Therefore the Fifth Circuit correctly held that the FMNA Defendants were the prevailing parties on Keane's copyright claims.

Additionally, despite Keane's dismissal of the Copyright Act claims in his Second Amended Complaint, the district court found that his remaining state law claims were pre-empted by the Copyright Act. Appendix B at 47-49. Accordingly, because those pre-empted claims were adjudicated and dismissed by the district court, the FMNA Defendants could be said to have "prevailed" on the copyright claims. This is consistent with the authority cited by Petitioner, requiring a prevailing party to procure a "judicially sanctioned change in the legal relationship of the parties." *See Buckhannon Board and Care Home, Inc. v. West Virginia Dept. of Health & Human Serv.*, 532 U.S. 598, 605 (2001).

Moreover, contrary to Keane's assertion, the award of attorney's fees does not run afoul of FED. R. CIV. P. 41(d), which provides that if a plaintiff twice files and dismisses a case the court may order the imposition of costs. Rule 41(d) applies to all civil cases and does not limit the award of fees in an initial case pursuant to a statute, such as Section 505 of the Copyright Act, that expressly authorizes the award.

II. THE FIFTH CIRCUIT CORRECTLY APPLIED THE 12(b)(6) STANDARD IN AFFIRMING THE DISMISSAL OF ALL OF PETITIONER'S CLAIMS.

A. Petitioner mischaracterizes the partial sale of his production company.

In an attempt to demonstrate actual use of his purported "American Idol" trademark, Petitioner references a sale "15% of American Idol to an individual." However, Keane's Complaint actually demonstrated a sale of 15% of his production company, NuVista Cinema Ent., Inc., not "American Idol" itself. It is axiomatic that a corporate shareholder owns shares of the corporation's stock, not its property. *See Docudata Records Mgt. Services, Inc. v. Wieser*, 966 S.W.2d 192, 197 (Tex. App. – Houston 1998, pet. denied). Therefore, partial sale of his company is not a sufficient allegation to have sustained Keane's trademark claim.

B. Because Keane failed to allege any use in commerce of the "American Idol" mark, the Fifth Circuit properly upheld the 12(b)(6) dismissal of Keane's trademark claim.

Petitioner contends that the Fifth Circuit misapplied the 12(b)(6) standard by refusing to accept well-pleaded facts as true and construing allegations against the non-movant, Keane. However, the record emphatically demonstrates just the opposite: Keane's own non-contradictory allegations were properly construed in dismissing all of his claims.

As argued above, Keane's alleged sale of "15% of American Idol" to an individual is an insufficient "sale" to defeat a 12(b)(6) dismissal of his trademark claim. Further,

even if the sale of stock was a sale of "part of American Idol," as a matter of law it is not sufficient to fulfill the "use in commerce" requirements of 1125(a). For that reason, there is no conflict with the Ninth Circuit case of *Chance v. Pac-Tel Teletrac Inc.*, 242 F.3d 1151, 1160 (9th Cir. 2001) (developer of electronic tracking service that used "TeleTrak" in 35,000 postcards mailed to solicit sales and which generated 128 responses but no bona fide sales, had not used mark in commerce) or the Fifth Circuit holding in *Blue Bell, Inc. v. Farah Manufacturing Co., Inc.*, 508 F.2d 1260, 1265 (5th Cir. 1975) (clothing manufacturer's decision to use new mark and shipment of a pair of pants bearing new mark to each of 12 regional sales managers who "actively solicited accounts" to purchase the products, did not rise to use in commerce because "'sales' were not made to the public"). In both of those cases, the courts required at least one bona fide sale to a member of the consuming public using the mark in question. Here, even the most generous interpretation of Keane's allegations demonstrate that he failed to complete any such transaction using the "American Idol" mark. Therefore, there is no conflict for the Court to resolve.

C. The dismissal of Keane's implied-in-fact contract claim was properly affirmed by the Fifth Circuit and presents no conflict in authorities.

The Fifth Circuit correctly affirmed the dismissal of Keane's implied-in-fact contract claim because Keane's allegations and exhibits show that his mailing of the "descriptive sales packet" to an alleged affiliate of the FMNA Defendants was an unsolicited, unilateral act by Keane that could not, even if proven, create a contract. *See*

Kleck v. Bausch & Lomb, Inc., 145 F. Supp. 2d 819, 824 (W.D. Tex. 2000) (*quoting Desny v. Wilder*, 299 P.2d 257, 270 (Cal. 1956)). ("the submission of an idea alone will not create an implied contract"). Keane alleged that he simply mailed a copy of his "sales packet" to companies listed by *Variety* as attending a trade show and with whom he had no prior dealings. He revealed his concept in a mass-mailing to scores of companies without (1) first conditioning receipt of his "descriptive sales packet" upon the recipients' agreement to assume a contractual obligation to him and (2) without the recipients' having the opportunity to decline acceptance of the "descriptive sales packet" and a contractual obligation to him. As a result, his own pleading establishes that he failed to do more than merely submit an idea, and therefore cannot satisfy the requirements for an implied-in-fact contract.

Moreover, the Fifth Circuit's holding in this case does not conflict with *Whitfield v. Lear*, 751 F.2d 90 (2d Cir. 1984). In *Whitfield*, the Second Circuit, relying on *Desny*, held that allegations of industry custom may be sufficient to defeat summary judgment on an implied contract claim where there had been prior bargaining and statements acknowledging that the submitter's ideas were not freely appropriable. *See Whitfield*, 751 F.2d at 93. The differences between *Whitfield* and Keane's case could not be more sharply drawn. Keane unilaterally mass-mailed his "descriptive sales packet" to complete strangers. Keane's submission was not made in confidence, and he alleged no contacts – let alone bargaining – with any defendant before or after he mailed the "sales packet." Accordingly, the Fifth Circuit's adjudication of Keane's implied-in-fact contract claim does not conflict with any other circuit's holding.

D. The Fifth Circuit's adjudication of Keane's trade secret claims was proper because Keane failed to allege confidentiality.

The Fifth Circuit's determination that Keane's gratuitous and unsolicited disclosure of his television show idea negated any expectation of confidentiality is consistent with decisions in the Fifth Circuit and other jurisdictions. This stands to reason – in every jurisdiction that respondent is aware, confidentiality is the *sine qua non* of a trade secret case. Because Keane "blurted out" his secret in such a careless way, his trade secret claim failed.

Moreover, the Fifth Circuit's decision does not conflict with the cases cited by petitioner. In *Burten v. Milton Bradley Co.*, 763 F.2d 461, 463 (1st Cir. 1985), the First Circuit held that the required element of confidentiality was satisfied where the parties executed a "Disclosure Record form" prior to revealing trade secret. Likewise, in *A.L. Laboratories, Inc. v. Philips Roxane, Inc.*, 803 F.2d 378 (8th Cir. 1986), the parties had executed an agreement governing their relationship with respect to confidential testing data. As Keane's allegations in his Complaint make clear, the parties to this case have never executed, let alone negotiated, any type of agreement. Accordingly, because the Fifth Circuit found Keane's disclosure to be unsolicited and without the hallmarks of a confidential relationship, there is no conflict with the decisions of the First and Eighth Circuits.

Nor does any prior Fifth Circuit authority present a conflict. There are material differences between Keane's allegations and the facts of *Capital Films v. Charles Fries Productions, Inc.*, 628 F.2d 387 (5th Cir. 1980), the case on which Keane relies. In *Capital Films*, the defendants included a film distributor for whom the plaintiff had

screened a movie. After the screening, the film distributor and other defendants released a movie with the same title and subject matter and the Court stated "that, under certain circumstances, the practice of screening movies can support a jury's finding of 'confidential relationship.'" *Id.* at 395. Here, however, Keane did not invite Pearson TV Int. to a screening or even to a meeting to discuss his idea. While the defendant in *Capital Films* had the chance to decline to attend the screening and presumably knew of the consequences of attending, here Keane simply mailed his "descriptive sales packet" to Pearson TV Int. and the other companies who, per *Variety*, hoped to sell movies and television shows at MIP. Nothing in *Capital Films* suggests that an unsolicited mass publication of a television show idea imposes on the recipients an implied duty of confidentiality.

III. THE AWARD OF $130,000 IN ATTORNEY'S FEES WAS NOT A SANCTION AGAINST JUST KEANE'S ATTORNEYS, AND THEREFORE, NO DUE PROCESS RIGHTS WERE VIOLATED.

Petitioner asserts that the award of $130,000 in attorney's fees runs afoul of Federal Rule of Civil Procedure 11 and the due process clause of the Fifth Amendment. However, petitioner misapprehends both the scope of Rule 11 and the basis for the attorney's fee award affirmed by the Fifth Circuit.

Keane correctly notes that Rule 11(c)(2)(A) prohibits a sanction against a represented party for the filing of a claim not warranted by existing law. However, the Fifth Circuit did not hold that Keane's claims did not exist at law; rather, the Fifth Circuit found that his pleadings and allegations did not support his claims as a matter of law.

Moreover, the award of attorney's fees does not implicate Rule 11 or the Due Process clause because the award was based on statutory authority for conduct by the party, not his attorney. First, as noted above in Section I, the FMNA Defendants were the "prevailing parties" on Keane's Copyright Act claims, and therefore were entitled to an award of attorney's fees. Second, because the Fifth Circuit agreed with the district court's determination that Keane had proceeded in bad faith, fees were awarded under the Lanham Act as well.

While the district court did find that Keane's attorneys violated Rule 11(b) by failing to make a reasonable factual investigation, the fact that Keane retained lawyers who were willing to act outside the bounds of Rule 11 does not insulate Keane from a finding of bad faith. Appendix E at 65. Specifically, Keane consented to his attorney's pursuit of a copyright claim when he knew he had no registration for "American Idol." Moreover, Keane did not supply to necessary certificates, registrations, advertising collateral, and other documents necessary to make a reasonable investigation into his claim. Accordingly, the award of fees for Keane's bad faith is supported in the record. The fact that Keane's attorneys also acted in bad faith does not implicate Keane's rights under the Fifth Amendment.

CONCLUSION

For all the reasons set forth in this Brief in Opposition, Respondents respectfully request that the Supreme Court deny review of this matter.

Respectfully submitted,

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